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ABSTRACT

This report describes a congressional hearing on implementation of the Job Opportunities and Basic Skills (JOBS) Training Program enacted by the Family Support Act of 1988. Focus is on the progress being made. Testimony includes statements and prepared statements from U.S. senators, and individuals representing the Administration for Children and Families, Department of Health and Human Services; American Public Welfare Association; Alabama Department of Human Resources; Employment Programs Branch, California Department of Social Services; Bureau of Income Maintenance, Maine Department of Human Services; Baltimore (Maryland) Office of Employment Development; Baltimore City Social Services Department; and Manpower Demonstration Research Corporation. A statement of the Child Care Action Campaign is appended. (YLB)

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IMPLEMENTATION OF THE JOBS PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON
SOCIAL SECURITY AND FAMILY POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

JULY 8, 1991

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IMPLEMENTATION OF THE JOBS PROGRAM

MONDAY, JULY 8, 1991

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY
AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 2:30 p.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan (chairman of the subcommittee) presiding.

Also present: Senators Breaux and Hatch.

[The press release announcing the hearing follows:]

[Press Release No. H-27, July 2, 1991]

HEARING PLANNED ON IMPLEMENTATION OF JOBS PROGRAM; SUBCOMMITTEE TO CONSIDER STATES' DIFFICULTIES

WASHINGTON, DC—Senator Daniel Patrick Moynihan, Chairman of the Finance Subcommittee on Social Security and Family Policy, announced Wednesday a hearing on implementation of the Job Opportunities and Basic Skills Training Program (JOBS) enacted by the Family Support Act of 1988.

The hearing will be at *1:30 p.m., Monday, July 8, 1991,* in Room SD-215 of the Dirksen Senate Office Building.

The JOBS program provides education and training, as well as child care and other supportive services, to help families who are receiving Aid to Families With Dependent Children to become economically independent.

"For the last two years, State governments across the land have been implementing the most ambitious reform of our welfare system in history at the same time that State revenues were declining and welfare caseloads were mushrooming. The challenge could not have been any greater," Moynihan said.

"The purpose of our hearing is to determine how these difficulties have affected program implementation and what, if anything, the Federal Government can do to improve the situation," Moynihan said.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A U.S. SENATOR FROM NEW YORK, CHAIRMAN OF THE SUBCOMMITTEE

Senator MOYNIHAN. A very good morning to our guests and distinguished witnesses. I would like to formally convene this hearing of the Subcommittee on Social Security and Family Policy of the U.S. Senate Committee on Finance. I regretfully have to do so with an apology to all. This was to have begun at 1:30 and, of course, it is now 2:30.

That is not in any way the fault of U.S. Air, that is the fault—if that is the word at all—of the thunderstorms that roared around the East yesterday and left everybody—I see Commissioner Perales probably knows something of the same thing—that the airplane that was to be in Albany was, in fact, in Atlanta, and so it went.

On the way down, I was thinking of this first hearing in which we are going to discuss the whole question of the progress we have been making with the Family Support Act of 1968, which was the first major change in our welfare arrangements since they were first put in place in 1935 in the Social Security Act of that year. The Social Security Act had a provision, so-called Aid to Dependent Children, which simply took over the widow's pensions which had been in place here and there around the country, and provided for the care of widows with children.

In very short order, however, the Social Security System itself began providing survivor's insurance, and it was expected that this program, as with the aged provisions, would fade away as the Social Security System took effect.

But after a quarter of a century had gone by, it became clear that this was not so; it was not fading away. And in 1962, the American Public Welfare Association—who will be represented today, I am happy to say, by our distinguished Commissioner of Social Services in Albany, Cesar Perales—the APWA issued this book—I do not know—am I the only person old enough to have read it?

I am the only person old enough to have kept it out of the Littower Library for 29 years. I dare not think what 2 cents a day compounded will come to, but I found it this weekend up in the schoolhouse. Elaine Burgess and Daniel Price wrote their very important study on American Dependency Challenge. It was funded by the Field Foundation, a very careful, methodical, methodologically severe sampling of the AFDC population as it had become, and saying, there is something odd, this is not going away. But even so, in 1962, they found that a third of the total caseload came about either because the father was deceased—by then a very small portion, 4.5 percent—or the father was incapacitated.

And if you recall, we did not have the disability insurance fully in effect at that point. It had come in President Eisenhower's Administration. But more than a third of the caseload was either father-deceased, or father-disabled. Another 20 percent was the father-deserted family. By contrast, illegitimacy only accounted for a very spare 11 percent of the entire caseload.

Thirty years, in effect, have gone by and that pattern has changed completely, or so I think, and so we will hear. But the authors of American Dependency Challenge saw something happening, and were much, much disturbed by the patterns they saw. What has happened, as we know, is that we have had a change in the childhood experience in American civilization.

In accordance with data that has been developed by our very distinguished Assistant Secretary Jo Anne Barnhart and her associates at the Department of Health and Human Services in collaboration with the University of Michigan, and Paul Offner of our staff; we are able to say with a degree of confidence that should attend such a proposition that 31 percent of the children born in the United States in 1980 will have been on welfare before they are age 18—on AFDC—which is to say they will have been paupers.

In a city such as Washington, DC, 50 percent. In my city of New York City, 50 percent. In some groups, it is two-thirds. This is an experience without any counterpart.

If you go back since we started out with Burgess and Price, you can think back to Thorstein Veblen's description of cultural lag in which technologies take hold, and the way in which the cultural deals with them lagged behind. It took us a century to figure out that unemployment needed unemployment insurance.

I think that we are seeing a post-industrial pattern. Why did you need unemployment insurance? Because basically industrialization had taken the extended family and produced a nuclear family; a husband, mother, and children. And when the father is unemployed, you are not on the farm, you are absolutely a unit alone.

You can speculate that something like a post-industrial pattern has appeared of single parents with their children. And trying to respond to that situation in ways that would be helpful is the subject of our hearings and was the subject of the legislation.

We never for a moment, when we began this, said it was going to be easy. We defined what we would do as doing the hard part. And no one has worked harder at it and been more faithful to its purpose than Jo Anne Barnhart, who is the Assistant Secretary of the Administration for Children and Families. That is a reorganization that has just come into effect. Dr. Sullivan and you put that together, you and your colleagues. And I have talked much longer than I intended.

I just want to welcome you, Madam Secretary. We will put your statement in the record, but if you would just proceed as you wish.

STATEMENT OF HON. JO ANNE BARNHART, ASSISTANT SECRETARY, ADMINISTRATION FOR CHILDREN AND FAMILIES, DEPARTMENT OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC

Secretary BARNHART. Thank you, Mr. Chairman. And in the interest of time, and because we are getting a later start than you had originally planned today, I have edited my oral testimony substantially and appreciate the fact that you will put the complete statement in the record.

Senator MOYNIHAN. But you take your time. You have patiently waited for U.S. Air to arrive.

Secretary BARNHART. I appreciate that. And Mr. Chairman, I want to thank you for the opportunity to bring you information on our progress in implementing the Family Support Act.

This afternoon, my primary focus will be on the Job Opportunities and Basic Skills Training Program, since that is the subject of this hearing. The Child Support Enforcement provisions, in the Family Support Act are equally significant. I know you share that view, and I look forward to discussing our progress on those at a later hearing.

Senator MOYNIHAN. We will have an oversight hearing on that coming up.

Secretary BARNHART. As I indicated, I will submit my written statement for the record and simply summarize the contents at this point, Mr. Chairman.

As you are fully aware, the Family Support Act was enacted as a response to the concern over long-term welfare dependency and the apparent difficulty experienced by a number of American families

in achieving basic economic independence. Less than 17 percent of today's families living below poverty have a full-time working breadwinner. The effect of that low percentage of labor force participation has been increased by a concurrent sharp decrease in family formation, often leaving to one parent the responsibility for both work and child-rearing, as you mentioned in your opening statement.

Our objective in implementing the JOBS program is to enable families to work toward self-sufficiency through employment. To accomplish this, we must help parents develop skills and get work experience that will enable them to find employment. Equally, in my view, we must transmit society's expectations through the welfare system itself that parents must work to support themselves and their children.

To achieve such a radical change in the nature of public assistance, those who administer the AFDC and JOBS programs have to go beyond viewing welfare's primary mission as that of simply cash assistance. In my talks throughout the country, I state my belief that the Family Support Act delivers a message to welfare agencies: that those agencies which view themselves merely in terms of income support are no longer fulfilling their entire mission.

If the JOBS program reaches only a small proportion of AFDC recipients, we cannot hope to change the system as a whole. The JOBS program must have breadth and depth; breadth to reach large numbers, especially potential long-term recipients, and depth to ensure significant JOBS experience which has a reasonable chance of changing the life prospects of participants.

My written statement details some of our accomplishments in JOBS since passage of the Family Support Act, but I would like to briefly mention that all States are currently running JOBS programs: 35 on a statewide basis. Seventy-six Indian Tribes and Alaskas Native Organizations are running their own JOBS programs as well.

Senator MOYNIHAN. So, we are up and running.

Secretary BARNHART. Yes, sir. We are, and have been since last October.

Senator MOYNIHAN. Which was our day.

Secretary BARNHART. Yes, that is right.

Senator MOYNIHAN. Yes.

Secretary BARNHART. We are in the early stages of analyzing the findings from 36 field reviews that have been completed. I have listed some of the general observations from those reviews in my written statement.

Truly significant strides have been made towards JOBS implementation. We remain alert to emerging policy issues since the publication of the final rules, and we have held discussions with States on the impact of various policy provisions contained in both the statute and regulations. As a result of these ongoing discussions, we have made several modifications to help States implement JOBS.

Data collection is one area in which we continue to work closely with States to resolve difficulties that are resulting from program requirements, and I know, Mr. Chairman, that this area is of particular interest to you.

Most States are experiencing some difficulty in collecting and reporting JOBS information. Overall, we are trying to balance the early difficulties that many States are experiencing with the need to meet the statutory data requirements. I believe that we are making progress.

We are making every effort to ease the growing pains that inevitably accompany a new program of this magnitude and complexity. At the same time, we are careful to ensure that any policy modifications made in the interest of State flexibility do not undermine the intent of the statute and the goal of JOBS.

In fact, perhaps we should regard a certain degree of administrative discomfort and altered procedures as a signal that something is happening.

Senator MOYNIHAN. Yes.

Secretary BARNHART. I say this by way of leading into what is clearly a difficult implementation issue and, at the same time, one which is essential to the success of the program: the JOBS participation requirements.

As you know, the Family Support Act includes mandatory participation rates for JOBS which increase from 7 percent in the current fiscal year, 1991, to 20 percent in 1995. Congress provided that nominal participation through registration alone would be insufficient, and directed the Secretary to establish standards of participation through regulation. We believe these requirements will help the JOBS program to bring about a meaningful change in the lives of participants and in the welfare system as a whole.

At this point, we do not have enough information to say whether participation rates are actually pushing the program in any particular direction other than to acknowledge that a number of States have had to increase the level of JOBS-related activity for mandatory JOBS participants. In that sense, it could be argued that participation rates are pushing us in the direction that the Family Support Act intended by ensuring a potentially life-changing JOBS experience.

Some of the other areas you requested specific comment on in your invitation letter are also difficult to address, but I am going to try.

One area of concern for all of us is the impact of the recent growth in the AFDC caseload on JOBS. As you know, similar growth is occurring in the Food Stamp program and in Medicaid, where eligibility liberalizations have had some effect.

While there is no indication that the JOBS program has contributed to such increases, the increases will surely affect JOBS. With more potential participants, States will face allocation decisions.

You also requested information on the AFDC-UP program. All States now have Unemployed Parent—or UP—programs in operation. Twenty-four States implemented AFDC-UP on October 1, 1990; 13 States have elected to time-limit their programs; and three States have chosen the option to provide payment after the performance of assigned activities. The most recent data we have indicate there were nearly 29,000 UP cases in April for States that began their UP program this fiscal year. It is too early to draw many conclusions from the implementation of the UP program, but we are beginning to work on the UP study mandated by the

Family Support Act. The General Accounting Office is also conducting a study, and we will be meeting with them shortly to coordinate our efforts.

One of the important supportive services brought about by the Family Support Act is Transitional Child Care benefits, or TCC. TCC was designed to ease the transition from welfare to work by subsidizing child care expenses for individuals who leave the AFDC rolls due to employment.

These transitional benefits have been available in all States since April 1, 1990. Some people have expressed concern that the TCC benefit is currently under-utilized. However, it is really too early to tell if the program is actually under-utilized, or whether our figures on TCC reflect normal start-up or reporting difficulties.

In summary, a firm foundation for JOBS is nearing completion. Many start-up issues have been resolved, and we are working diligently to ensure that other issues are dealt with as they arise. As JOBS matures and evolves in the States, we will have a better understanding of participation rate and data collection problems.

The best thing you could give the JOBS program now is time; time to sort itself out and achieve some period of stability; time to work out the coordination start-up problems; and time to gather data appropriate for a thorough evaluation.

During my confirmation hearing, Mr. Chairman, you challenged me to make sure that people realized that something had happened when the Family Support Act became law. Since that time, I have worked to communicate to States the philosophy, the provisions and the requirements of the Act. Something is happening; States are responding.

Although we occasionally disagree on the fine points, there remains a broad consensus that we are moving in the right direction; we are making progress. In fact, I believe we are well on the way toward achieving a successful outcome.

It is my hope that Congress, State legislators, and the American public have the patience and the vision to allow the implementation process to proceed as designed.

At this time, I would be happy to answer any questions that you or other members of the committee might have.

[The prepared statement of Secretary Barnhart appears in the appendix.]

Senator MOYNIHAN. I certainly have some questions, and I know that Senator Breaux will, too, as well. Might we just first ask Senator Breaux if he would like to make some opening comments?

OPENING STATEMENT OF HON. JOHN BREAUX, A U.S. SENATOR FROM LOUISIANA

Senator BREAUX. Just very briefly, Mr. Chairman, I congratulate you for guiding this program through the Congress. I guess in 1988 when it was adopted and signed into law, I know it has been an idea that you have espoused for a long period of time, the concept of able-bodied people being able to work in return for help and assistance from our government; something that my predecessor also had very strong feelings about, Senator Russell Long.

And I am delighted that I think we are making progress in Louisiana. We have about 275,000 AFDC beneficiaries. Ten parishes are currently operating under the JOBS program and another 10 counties or parishes will be added by the end of this year. So, I think it is working, and I am delighted to hear this report. I think it is really a tribute to what you did several years ago.

Thank you.

Senator MOYNIHAN. That is very generous, but we all did it, and we knew when we did that we were making a big bet and that part of the difficulty would be keeping up with this to see whether it would take root.

Were you not struck, Madam Secretary, we had an 18 percent growth in the caseload just between July of 1989 and April of 1991. That does not follow any demographic curve, does it?

Secretary BARNHART. No. In fact, Mr. Chairman, the precipitous growth in caseload began in July or August 1989 and actually continued until December 1990.

We have been doing substantial analysis at our office to try to determine the exact cause of that increase. One of the things that concerns me, as I am sure it concerns you, is that if the caseload is going up at the same time JOBS is being implemented, we certainly do not want people to say there is a correlation between the JOBS program existence and the caseload increase. As I mentioned in my testimony, we have no reason to believe that there is a correlation.

Getting back to the analysis of the caseload growth. I can tell you the results of some of the analyses done in our office to try and determine exactly what caused that increase. Essentially, the economists and statisticians in the office who have been looking at that issue believe that over time there are factors that steadily push the caseload up on a regular basis.

In other words, there is this constant pressure for the caseload to go up, and it is contributed to by such factors as the increase in single-parent families, that you mentioned; particularly the increase in female-headed households that are below poverty.

And when unemployment declines, as it did in the late 1980's, then in essence, you mask the underlying increase in the caseload that would normally be pushing it up. Therefore, when unemployment started back up again—particularly in some regions of the country like New England where there were fairly dramatic increases in unemployment from one month to the next—then what you see is no longer there, and you see the caseload going up.

Senator MOYNIHAN. Yes. As you and I know, and so we tell our committee, that we are trying to see if we cannot develop a set of regular—an annual report on this subject that would try to start giving us some analytic data well beyond what we have.

This is the program that was expected to disappear a quarter of a century ago and then, to the contrary, it has billowed into, as I say, it is part of the life experience of American children now; almost a third of our children will be on welfare before they are 18.

We do not have good analyses yet. We are getting there, and we will get there a lot faster if we start publishing an annual report and look at what we found out and let people look at it and tell us where we are wrong. I am sure you agree on this.

Secretary BARNHART. Well, yes. And Mr. Chairman, I am aware of the fact that you recently introduced, S. 1256.

Senator MOYNIHAN. Yes. Your bill.

Secretary BARNHART. Yes. And as you know——

Senator MOYNIHAN. Call it the Barnhart bill.

Secretary BARNHART. As you know from discussions with myself, Secretary Sullivan, Assistant Secretary Gerry—and we are committed to moving in that direction. We have actually continued our work with University of Michigan. Now, in particular, we are having them do some analysis looking at the children on AFDC, and to look at the difference between single-parent and two-parent families. We anticipate having some information on that in the not too distant future. But we are committed and moving in the direction that the legislation lays out.

Senator MOYNIHAN. Now, I have one question I have to ask you, and that is of all the States in the Union, the most striking increase in the caseload, a mere doubling between July 1989 and April 1991, came in New Hampshire. Now, have you communicated that fact to Governor Sununu in order that he be more aware of the importance and centrality of this program?

Secretary BARNHART. I have not personally communicated that to Governor Sununu, but my guess is, Mr. Chairman, that he reads the newspaper articles, as you do, and he is well aware of that fact. [Laughter.]

Senator MOYNIHAN. Nicely done, Secretary Barnhart. [Laughter.]

But two questions, and then Senator Breaux. You are going to have to ask whether that 20 percent participation rate can be met, but you are not there yet. I mean, it is 1995, and you are watching it.

Secretary BARNHART. Yes, sir, we are. We have State-reported data in terms of where States stand now, looking at the 7-percent requirement that currently exists.

Senator MOYNIHAN. Yes.

Secretary BARNHART. Frankly, looking at the experience of the welfare-to-work programs from the 1980's and the participation rates that were achieved at that time——

Senator MOYNIHAN. SWIM in San Diego?

Secretary BARNHART. Yes. We have reason to believe that the States are going to be able to achieve the 20-percent participation by 1995.

Senator MOYNIHAN. No flinching. No flinching. That is our goal, and that is the statute. But we do have a question about your regulation about participation having to be 20 hours a week.

And the question is whether people in education programs, whether that is just more of an hourly rate than would be normal to education. You have a surprising number of people on post-secondary education. If you are going to a junior college or a 4-year college, 16 hours a week is a course load, as they say. Help us on that. What do you think?

Secretary BARNHART. Well, Mr. Chairman, first of all, I would like to point out that one of the common misconceptions about the 20-hour requirement is that if you are participating for fewer than 20 hours, the State does not get any credit at all; in fact, we do allow for a kind of averaging. If a State has someone who is partici-

pating at 16 hours and someone else who is participating at 24 hours in another kind of activity, one balances the other and they count as two participants.

As I mentioned in my testimony, this has continued to be the issue of greatest discussion between the States and those of us in the Federal Government, no question about it.

I do think that the 20 hours is important from the standpoint of guaranteeing a meaningful experience. When we look at what happened in the welfare-to-work programs of the 1980's, we saw a situation where we certainly had programs that had net impact. However, even those that had higher impacts did not have as much of an impact on the most disadvantaged or the most——

Senator MOYNIHAN. Right. And we said that is where you work on it. Yes.

Secretary BARNHART. For that reason, I think—at least it appears clear to me in reading the Family Support Act—that you and your colleagues in the Congress intended us to focus on the most disadvantaged. In fact, one of the target groups is those who have been on AFDC 36 of the previous 60 months. We believe that the 20-hour requirement helps foster State monitoring and tracking of the experience individuals are having, and ensuring that is where the major thrust of the program is.

Senator MOYNIHAN. You are the administrator. We are going to hear from Commissioner Perales and, of course, the States can speak for themselves. But we have confidence in how you are handling this.

We admire the way you are handling it, and you are not to turn and run the minute anybody says, this is too hard. It was meant to be hard, and we understood that it was going to take a decade to show any real turning of this experience, and maybe it will not even happen then.

But we are in close touch. You have complete access to this committee, as you know, and we just want you to feel that way.

Secretary BARNHART. Yes, sir.

Senator MOYNIHAN. Senator Breaux.

Senator BREAUX. Thank you, Mr. Chairman. Ms. Barnhart, thank you for being with us this afternoon. One of the things I was just wondering, from my State of Louisiana, there was a question of the constant changing regulatory guidelines they feel they get, and the problem they have interacting with other Federal agencies like the JPTA program and other programs that tend to overlap in some of the JOBS programs. And I guess what I am trying to figure out, can you give me an update on any efforts at our level, on the Federal level, to try and smooth out the way the States can comply with all of the existing Federal overlapping rules and regulations?

Secretary BARNHART. Yes, Senator. In fact, there are a couple of things at least, that come to mind immediately. One of those is the joint Technical Assistance Contract that we have entered into with the Department of Education and the Department of Labor, specifically, the Employment and Training Administration, which has responsibility for JTPA; and the Assistant Secretary for Adult and Vocational Education in Department of Education.

As part of that technical assistance effort, we have been presenting program design workshops throughout the country. I have attended all the workshops that have taken place so far, and the purpose is to have people there from all three agencies to show how the three programs can complement and work together, and one can actually be an asset and a complement to another, as opposed to a problem.

I would also like to mention that early on in my tenure as Assistant Secretary for Family Support, I heard several comments from States about the difficulty of the requirement for transferring funds from one agency to another, and the fact that there had to actually be a physical transfer of funds.

I looked at what I thought Congress really wanted to accomplish by maintaining administrative control under the IV–A agency. We worked out a standard memorandum of understanding that States can use between agencies to avoid having to do an actual physical transfer. It is my understanding this has alleviated substantially some of the coordination problems that the States were having at the State and local level.

Senator BREAUX. Well, I appreciate hearing that. I really think that this law is probably one of the best kept secrets in the Federal Government. We hear so much criticism in my State, and perhaps because of recent election campaigns, about the allegation that there are so many people who are able-bodied citizens who are on welfare assistance and getting something and not returning anything, or contributing anything. And I think we are making a lot of progress in that area.

This program is new, and I think it does have teeth to it. I think it is going to ultimately result in some real positive changes. But there are an awful lot of people out there that I think still do not understand what was accomplished, or at least was started, by the 1988 act. And hopefully they will start to learn and hear this message.

Secretary BARNHART. Senator, you make an extremely important point when you talk about the number of people who want to participate in these kinds of activities and begin to work on their exit from the welfare rolls.

One of the things that we have found in the 36 field reviews that we have conducted to date is that there is very little sanctioning of AFDC recipients for failure to participate in JOBS. We will be collecting more data on sanctions beginning in fiscal year 1992, but it appears that there are plenty of people who are anxious to get into these programs.

Senator BREAUX. In my own State, I am just wondering whether that is different. I would imagine it may be different from a national average, but it seems that so many of the people who are registering in the program are receiving the benefit of remedial services, particularly in education.

I mean, something like 60 percent of the people enrolled in Louisiana are receiving remedial education. It is probably very high, I would guess.

I think it is providing a very valuable service, and you are giving them an equivalent high school diploma, which hopefully will help them obtain a job in the workplace. But is that pretty high?

Secretary BARNHART. We have found in the South the highest participation in education components. We can try and do further analysis. We may have that kind of information available, and I would be happy to provide it for the record if you need it.

Senator BREAUX. No. It is not necessary. I am glad they are doing it. It is addressing a serious need, and I would have thought that we would have probably been much higher. Well, keep up the good work, and we will stay in touch.

Thank you, Mr. Chairman.

Senator MOYNIHAN. Soon we will have a good, solid, annual analysis of these things, including longitudinal studies.

I am old enough to remember the first few years of the Economic Report of the President, and it was not a very impressive document. They always had wheat fields with combines going through them; pictures, not many numbers.

Let a half century go by, or 40 years go by, and you have one of the basic economic compilations of the world. And I think the sooner we get on that track, the better. And we will press that Barnhart bill. Now, you tell that to Governor Sununu, too, will you? Thank you very much.

Secretary BARNHART. Thank you very much, Mr. Chairman. I appreciate your supportive comments for the work that we have been doing at the Administration for Children and Families, and we certainly appreciate your ongoing interest. I look forward to continuing to work with you.

Senator MOYNIHAN. Thank you. And congratulations on your promotion.

Secretary BARNHART. Thank you.

Senator MOYNIHAN. And now, we are going to hear from Cesar Perales, the commissioner of the New York State Department of Social Services, who will represent the American Public Welfare Association. Commissioner, it is a pleasure for a New Yorker to welcome you here.

We have your testimony, a very thorough testimony, full of tables, as becomes this most prestigious institution you represent. And I say it was the APWA study of 1962 that first told us there were complexities here that we had not heeded. But we welcome you, sir. I would put your statement in the record and you proceed exactly as you wish.

STATEMENT OF CESAR A. PERALES, COMMISSIONER, NEW YORK STATE DEPARTMENT OF SOCIAL SERVICES, ALBANY, NY, REPRESENTING THE AMERICAN PUBLIC WELFARE ASSOCIATION

Commissioner PERALES. Mr. Chairman, good afternoon, Senator Breaux, I am Cesar Perales, Commissioner of the New York State Department of Social Services, and currently the chair of the American Public Welfare Association's National Council of Human Service Administrators.

APWA is a non-profit, bipartisan organization that represents all of the State Human Service Departments, as well as the local Departments of Public Welfare.

First, I thank you, on behalf of the State and local Human Service Administrators for holding this hearing today. The administra-

tors appreciate your leadership and your continued interest and commitment to the goals and objectives of this landmark legislation.

It is important that we not lose sight of those goals, and the broad-based consensus and support that led to the enactment of the Family Support Act.

This hearing, I think, will help to assure that in spite of other very pressing issues, the Family Support Act continues to be a high priority.

As you stated, you are in consideration of the Family Support Act and, again, earlier this year, Mr. Chairman, the act introduced to welfare a wholly new concept: a social compact.

Society would provide single parents and their families with support, while they were assisted on the road to self-sufficiency with education, training, and employment programs. And these parents would undertake the effort to achieve this goal.

The compact assumes parents are responsible for their children, including non-custodial parents, whose support would be sought in a more comprehensive fashion.

The Family Support Act can, and will, assist poor families in moving toward self-sufficiency. But we must be realistic about our expectations for the JOBS program. We must understand, for example, that although Congress significantly increased funding for education, training, and employment above prior levels, the CBO estimated that over 5 years, only 50,000 families will have left the AFDC rolls due to the JOBS program. We should not be discouraged by this.

During debate on the act, Congress, State, local administrators, and others realized that transforming the welfare system and investing in education and training would take considerable time to move families to independence.

We need to realize this fact and know that our investments now will pay off later in improved lives for poor children and their families. As you stated, Mr. Chairman, what took nearly a generation to create will take nearly a generation to remedy.

Senator MOYNIHAN. Yes. Yes. We have just got to hold onto that realization. Yes.

Commissioner PERALES. As was expected when the JOBS program was created, State and local programs are placing greater emphasis on basic skills training, as Senator Breaux just indicated, and other educational activities and support services that occurred in the past. Data for the first quarter of fiscal year 1991 shows that State and local programs are placing a higher percentage of participants in these more intensive activities, compared to past programs that emphasized lower cost programs, such as job-search and work experience.

The need to provide more intensive activities will mean that many individuals will participate for longer periods of time in job program activities before gaining the experience and skills necessary to succeed in today's job market.

The cost and duration of these types of activities is causing some concern, since many programs are now serving fewer individuals than originally planned, and at greater expense.

Since Federal funding for the program is, at least in part, tied to mandatory participation rates, some of the States—and I caution, only some of the States—are already expressing concern that they may face reduced Federal participation financing because of their inability to keep participation rolls at sufficient levels in the future.

Also affecting the ability of States to meet the mandatory participation levels is the current and ongoing increase in demand for public assistance that has led to the highest AFDC caseload levels in the history of this country. Preliminary data for the States for April 1991, the latest available, show that the number of families needing assistance under the AFDC program rose an additional 41,000 families, continuing a 21-month trend of national caseload growth. There are now 4.42 million families and 12.8 million persons receiving AFDC nationally.

Senator MOYNIHAN. 12.8 million?

Commissioner PERALES. That is correct, Senator.

Senator MOYNIHAN. How many children would be there?

Commissioner PERALES. Well, we know that the large majority would be children.

Senator MOYNIHAN. About 8 million children? Eight million?

Commissioner PERALES. I would say so easily. AFDC-unemployed parents cases increased an additional 7,000 cases to 287,000 families in April with roughly 35 percent of that growth in the States that began a UP program in October 1990.

The number of families receiving AFDC has increased by 406,000 families since April 1990, and over 680,000 families since July 1989. In fact, 22 States have experienced caseload growth of 20 percent or higher during these periods.

In New York, AFDC caseloads have increased over 11 percent since July 1989, and an estimated 12.5 percent in the food stamp program.

Senator MOYNIHAN. Now, food stamps is just a direct income-related measure. And we find a 12-percent increase there, but almost twice that in AFDC.

Commissioner PERALES. Well, the 12.5 is for New York State. I do not know what the national numbers are. I am told, Senator, that the national food stamp increase is about 22 percent on the average.

Senator MOYNIHAN. Oh. So it is very close.

Commissioner PERALES. Very close. Very, very close.

Senator MOYNIHAN. I see. That is interesting.

Commissioner PERALES. Just as it is close in New York. As I indicated, it is 11 percent in AFDC.

Senator MOYNIHAN. Yes.

Commissioner PERALES. And 12.5 in food stamps. So, food stamps is only just a tiny bit ahead of the AFDC.

Senator MOYNIHAN. But in theory, it makes no matter. The economic indicator and the dependency indicator are almost the same.

Commissioner PERALES. Absolutely. The majority of States thus far have been successful in meeting the participation rates mandated by the Family Support Act.

Data from the Administration for Children and Families for the first and second quarters of fiscal year 1991 showed 29 States meet-

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ing or exceeding the required participation rate of 7 percent, while eight States reported meeting less than the required 7 percent. The data for the remaining States is not yet available. New York's participation rate was approximately 10 percent.

But it is too early to say whether States will meet the participation requirements in future years when the rates climb above 7 percent. I did understand and hear Secretary Barnhart's confidence that we will meet that participation rate. It is an optimism that I share.

A number of State administrators have expressed concern about the impact of the so-called 20-hour rule will have on their ability to meet these rates. The States now emphasizing remedial education, and post-secondary education, and vocational training, feel that they are particularly vulnerable, since many of these programs do not operate on a 20-hour-per-week basis.

In New York, for example, clients enrolled in a special program we call PACE, which provides post-secondary education along with case management at our community colleges, full-time students there are required to enroll in 12 credits, 12 credit hours a week of course work.

Senator MOYNIHAN. Yes.

Commissioner PERALES. Even with full-time course loads and the case management services, the PACE program participants usually fail to meet the 20 hours of weekly participation.

In December of 1990, the APWA's National Council of State Human Service Administrators adopted a resolution requesting HHS to modify the 20-hour rule requirement for those individuals who participate full time in approved post-secondary education or vocational educational program by deeming those programs to meet the 20-hour requirement. That resolution has been transmitted to Assistant Secretary Jo Anne Barnhart for her review and consideration.

We believe that this proposal is a modest change and that if implemented, the proposal could alleviate the concerns of many States who do not want to be forced into modifying their programs in a manner that would result in less emphasis on education and training, and more emphasis on job-search and work experience, and those other kinds of programs.

You also asked that we address the utilization of the transitional child care and transitional medical assistance programs established under the Family Support Act.

As you know, both programs were implemented by the States on April 1, 1990, and we are aware of the concerns that utilization of both programs has been very low. We are not yet certain why utilization of the transitional child care program is not higher.

A number of States report that many families leaving AFDC prefer to make their own child care arrangements, even without the benefit of a subsidy, or are already receiving subsidized child care under a different child care program or funding stream. We know that more can be done in the area of outreach for the program, and many States, including New York, are improving in this area.

We should also be realistic about our expectations for the program. As with any new program, it will take time for it to be insti-

tutionalized within the human service delivery system, to be known to AFDC recipients, and applicants for AFDC, food stamps, or JOBS.

On the other hand, transitional child care was never projected to be a large program. The CBO projected that fewer than 36 percent of eligible children would receive these benefits.

In the transitional medical assistance program, APWA has learned that a major reason for low utilization lies with client reporting requirements that are substantially greater than the requirements for previous transitional coverage, and are without parallel in the transitional child care program.

The client reporting requirements require client information on the 21st day of the fourth month, the seventh month, and the ninth month after the individual leaves public assistance for earned income reasons. Families must report their gross income and child care costs associated with the employment of the head of the household at these different periods of time.

Senator MOYNIHAN. If I could just interrupt here, sir. You are speaking of regulations that have come out of Washington, and you are saying gently that they are too complex.

Commissioner PERALES. Absolutely.

Senator MOYNIHAN. Yes.

Commissioner PERALES. Very, very clear when it comes to the Medicaid program. Let me just add, in New York, for example, our Medicaid eligibility requirements are actually higher than the AFDC benefit levels.

And that is, we cover low-income individuals who are working individuals, but whose income is a bit higher than the AFDC benefit levels. What we are finding is that a number of individuals, as a result of the JOBS program, get a job and are eligible for Medicaid under our existing rules and regulations.

In fact, it causes an hardship on that individual to offer them the transitional program, because then they have to come in and report much more data, much more information on a regular basis, as I indicated. The fourth month after they leave, the seventh month; it is just ridiculous. So, I suspect that many States try to provide Medical Assistance through any other route that is available other than the Transitional Medical Assistance route.

Senator MOYNIHAN. All right. Well, now, that is what the APWA is for, among many things, to let us hear about problems like this. And out in the audience there are associates of Ms. Barnhart who are taking notes carefully. And let us just pursue this. I can see exactly the point in getting a system in place.

Commissioner PERALES. State administrative burdens would be greatly relieved and program goals better if States were allowed to forego all the reporting and the phasing of the Transitional Medical Assistance coverage. In lieu of current law, APW suggests that States be given the option to offer a simple 12-month transitional coverage.

Senator MOYNIHAN. All right. Now, you are going to send the committee a statement from the APWA on what you mean exactly by that sentence, and we will send it to the department and to the new administration.

Commissioner PERALES. We would appreciate it, Senator.

Senator MOYNIHAN. Yes. Sure.
[The information follows:]

IMPROVEMENTS TO MEDICAID TRANSITIONAL MEDICAL ASSISTANCE (TMA)

States are required to provide up to 12 months of Medicaid TMA to families leaving AFDC due to increased income or hours of work, as enacted in the Family Support Act of 1988. This requirement became effective April 1, 1990, and replaced earlier nine and six month transitional coverage for families leaving AFDC. States agencies are reporting that the number of families on transitional assistance are fewer than under the previous provisions. They believe the problem lies in the client reporting requirements which are substantially greater than the requirements for previous transitional coverage and are without parallel in the transitional child care assistance provisions in the same Family Support Act.

The client reporting requirements under TMA rules require client information in the 21st day of the fourth month, the seventh month, and the ninth month. Families must report their gross income and child care costs associated with employment of the head of household. Failure to report by the 21st day of the fourth month means termination of coverage at the end of the sixth month. Failure to report by the 21st day of the seventh or ninth months means termination at the end of the respective month.

States believe that failure to report is a major reason for the substantial attrition in the program. No other group of Medicaid clients have similar eligibility conditions placed on them. TMA under prior law was not so onerous on clients.

In addition to unnecessary client attrition, these provisions place considerable and unnecessary administrative burdens on States agencies. Multiple client notices are required prior to each client reporting deadline. Finally, because of high client attrition, the agency is required to do more eligibility determinations for individual family members to determine if any are otherwise eligible under other program categories prior to terminations from the TMA program. State reporting and other administrative requirements are substantial especially since TMA attrition is high.

APWA and the National Council of State Human Service Administrators propose that States have the option to offer a simple 12-month transitional coverage similar to what is currently provided for transitional child care assistance under Section 402(g) of the Social Security Act. Legislation amending 42 U.S.C. 1396r-6 would be needed to enact such a change. In doing so, we propose eliminating the requirements for two 6-month extensions under Section 1925(a) and (b) of the Social Security Act.

Commissioner PERALES. Let me take this opportunity to discuss very briefly a demonstration that New York State is currently conducting in seven counties. The Child Assistance Program, or CAP, was authorized by the legislature in New York in 1987.

I want to thank you, Mr. Chairman, for your leadership in obtaining congressional approval so that we could conduct this demonstration program. And you got that approval for us in 1987. The program went into operation in October 1988, and we now have some preliminary data on its impact.

CAP, as you will recall, incorporates a unique financial aid and service delivery system that is designed to promote material well-being, and the life chances of children in single parent AFDC families, while at the same time ensuring that their parents, both custodial and non-custodial, take responsibility for supporting their children to the best of their ability. More than 2,100 families have enrolled in those demonstration counties since the inception of the demonstration, and early results are promising.

The program has proven to be very effective in lifting participating families out of poverty. The total household income of CAP families averages 122 percent of the poverty level in promoting economic self-sufficiency; participants rely mainly on their own earn-

ings, together with child support we collect, and whatever additional supplement is required.

CAP has also had a dramatic effect on the outlook of participating families. Ninety percent of the program's custodial parents report feeling more independent and more optimistic about the future, and they enjoy increased self-esteem and sense of control over their lives.

A significant number of parents now participating in the demonstration obtained jobs or increased their work effort in order to qualify.

In addition, a sizeable percentage of participants worked with the Office of Child Support Enforcement to secure support orders for their children.

Senator MOYNIHAN. Oh, they did? You find you can build that expectation into a system?

Commissioner PERALES. Absolutely. If you make it a condition, as we did in this demonstration——

Senator MOYNIHAN. Yes.

Commissioner PERALES [continuing]. To participating in this different program, we found that a number of individuals came forward and were much more cooperative with the Child Support Enforcement Unit; if the rules were changed. As you know, currently it is only the first $50 that goes to the family.

Senator MOYNIHAN. Yes.

Commissioner PERALES. We find that if the incentive is greater, if we are able to say to them, we will combine child support and your earnings and deduct your assistance payment by only 10 percent for every dollar, there is a much greater interest in participating in the program.

Senator MOYNIHAN. Oh, yes. Oh, yes. Now, in your testimony, you say that they are going to have a final report in 1993.

Commissioner PERALES. Yes.

Senator MOYNIHAN. That, of course, is right at the center of so much of our concern, that we get this child support up and running. And you cannot let a thing like that disappear and then expect it to have it come around the next day. In New York City, as I do not have to tell you, sir, the officials were of the view as late as 1988 that it was unconstitutional to ask people for the identification of the absent parent.

Commissioner PERALES. You should know, Senator, we have made significant progress in New York City as a result of Federal legislation. As of October last, we now have the New York City Board of Health taking the Social Security numbers of the putative fathers at the time that the father is born, and they have now begun to transmit that data to us so that we can begin immediately tracking and trying to collect child support. And that only happened as a result of your intervention with Federal legislation.

Senator MOYNIHAN. Well, they swore that the Supreme Court had ruled it unconstitutional, or whatever, and would not do it. And it was just an outrageous abandonment of elemental social responsibility, say, the fact of the child making no claim on the parent. And the fates know that we do not mean to be gentle about those who will not enforce this provision. It is law now, and it should be. And you supported it. I mean, APWA——

Commissioner PERALES. Yes. Absolutely.

Senator MOYNIHAN. The Public Welfare Association absolutely supported the proposition that if your child is on public assistance and you have any income of any kind, you owe that income first to the child, and then to the public.

Now, it is an 18-year sentence. As a matter of fact, it seems to be a life sentence, if the truth were known, but those are the arrangements we have. So, New York City is finally coming around?

Commissioner PERALES. Yes, they are.

Senator MOYNIHAN. Good. Good.

Commissioner PERALES. As you may recall, Mr. Chairman, State and local human service administrators expressed their strong support for an alternative national system of welfare benefits based on a family living standard, as we proposed in our report, one child in four.

Senator MOYNIHAN. Yes. One child in four.

Commissioner PERALES. Yes. A study of the FLS and other minimum benefit approaches was included in the Family Support Act. We are pleased that the National Academy of Sciences has begun initial work on that study. We know that the adequacy of benefit levels is of concern to you.

In April, you introduced the Minimum Benefit for Families Act that would require that AFDC benefits, when combined with food stamp benefits, equal at least 50 percent of the Federal poverty line. We are very, very supportive of your efforts in this area.

In closing, let me leave you with one thought. It is a continuing strong commitment of human service administrators to the goals of the Family Support Act that I stand before you today. Its gains will be gradual, but they are already perceptible. It is making a difference. With your continued commitment, it will continue to make a difference.

Thank you. I would be happy to answer any questions you might have.

[The prepared statement of Commissioner Perales appears in the appendix.]

Senator MOYNIHAN. We thank you and the likes of you who give your whole careers and lives to this work with children. There is just no question about it that an earlier pattern of avoiding the perceived realities of welfare may have made people feel good, but they certainly have not done anything for children.

I thought that American Dependency Chalienge was very open about that. It said the problem with welfare is that people who receive it seem to be doing so as a result of socially disapproved behavior. And that was at a time when a third of the people involved were families where the male parent was dead, or disabled. Well, now, today that is not it at all.

Commissioner PERALES. It makes it very, very difficult for us at the State level to increase benefit levels any adequate amount. It is this perception that these are people on the dole, they do not have to stay in if it is children, and particularly in the economic climate that the States are facing, I am very much afraid that we will not be able to adjust the benefit levels and that it will be children who will be pauperized.

Senator MOYNIHAN. It will be children who will be pauperized. And you, sir, are saying here, after adjusting for inflation, the median decline in benefit levels from 1970 to 1991 was 42 percent. I can think back to this city in 1970, President Nixon had sent a proposal to the Congress for a guaranteed income, the Family Support Act. And I remember speaking to a group downtown about this time of year and saying if we did not get the guaranteed income in that Congress, 1970, we were not going to get it in that decade. And everybody hooted.

And the problem with the Family Assistance Plan was that the benefit increases were not large enough. And we were going to have an indexed national standard. So, we did not take what was not good enough, and instead, if anybody had ever said in 1970 that you know what we are going to do? We are going to cut the provision for children by 42 percent in the next 21 years. You would have said that is not true. Why are you devising such an outrageous thought? Of course, we are going to double it and double it again. In fact we have cut it. That is all that has come of avoidance. All that have been hurt are the children. And thank God for the likes of the APWA throughout this, because we did not have much support on this program. Most of what are called the advocacy groups were against it, and probably still are, whilst watching in absolute impotence while benefits have been cut 42 percent. It was cut in half for children. Children. They eat too much, or something. I mean, it is the single most anomalous fact of American social policy in the last generation that we let the provision for children be cut in half. I wonder if the people involved know about it.

We think we have to get a better reporting system. Would you agree? You know about our proposal to get some longitudinal experience. It was your report, one child in four, which is the first time the country heard that this was not something that happens to a few people over there. You can say one child in four. We now think it is getting closer to one in three, and the data is there. That would be completely consistent with trend you picked up.

Commissioner PERALES. We are absolutely supportive, Senator.

Senator MOYNIHAN. Yes.

Commissioner PERALES. We think it is very, very important. Those of us in the business, if I might use that expression, have great difficulty going to legislatures and telling them what you have just stated. It would help, certainly, if we had some support.

Senator MOYNIHAN. A national annual publication saying this is what you have done?

Commissioner PERALES. Absolutely. It would be very helpful to us.

Senator MOYNIHAN. It is outrageous. Now, we are going to hear from you about this transition proposal.

Commissioner PERALES. Yes, you will.

Senator MOYNIHAN. And we will send it right over to your friends and our friends over there, and anything like this is under shake down, and it needs to shake down, as in shake down cruise, right?

Again, thank you very much.

Commissioner PERALES. Thank you, Mr. Chairman.

Senator MOYNIHAN. I would like to adjourn just for a moment so that I can thank the Commissioner. Stand in recess for 1 minute.

[AFTER RECESS]

Senator MOYNIHAN. Our next event is a panel of people who are working with this subject with their hands on, as you can say. We are going to hear, just in the order that we have listed, Andrew Hornsby, who is the Alabama Commissioner of the Department of Social Services. Mr. Hornsby, we welcome you, sir. Kathy Lewis, who is the chief of the Employment Programs Branch, the California Department of Social Services. Ms. Lewis, we welcome you. Ms. Sabra Burdick is Director of the Bureau of Income Maintenance of the Maine Department of Human Services. Ms. Burdick. And Linda Harris, who is just up the road, is director of the Baltimore Office of Employment Development, State of Maryland. And Ms. Harris has a colleague with her.

Ms. MARCUS. Shirley Marcus, and I am the director of the Baltimore City Department of Social Services.

Senator MOYNIHAN. Oh. So we have the State and city together. We welcome you and look forward to hearing from you. Our pattern is just to hear each in turn and then to have discussions.

And when we do, do not hesitate to interrupt one another if you think there is something to be said. This is an informational hearing, an oversight hearing. The Senate is now in session, although there are no votes until 7:00 o'clock. So, I cannot guarantee further attendance.

Mr. Hornsby, good afternoon, sir.

STATEMENT OF ANDREW HORNSBY, COMMISSIONER, ALABAMA DEPARTMENT OF HUMAN RESOURCES, MONTGOMERY, AL

Commissioner HORNSBY. Thank you, Senator. And like Assistant Secretary Barnhart, I will edit my prepared statement considerably in the interest of time.

Senator MOYNIHAN. All will be placed in the record.

Commissioner HORNSBY. Thank you, sir. I want to applaud the Congress for the passage of the Family Support Act, especially the JOBS provisions. In my opinion, JOBS is the most politically popular component of the entire array of assistance programs. At least, that is the case in Alabama.

But more importantly than political popularity is the potential impact JOBS will have on those disadvantaged citizens who find themselves on AFDC and food stamps. To illustrate the impact of JOBS, I would like for you to allow me to briefly describe a typical AFDC recipient in Alabama.

Senator MOYNIHAN. All right, sir.

Commissioner HORNSBY. She is about 21 or 22 years old. She lives in public housing, or certainly substandard housing. She dropped out of school in the 9th or 10th grade, and was most likely pregnant with her first child. She has since had her second child, and as you mentioned earlier, she gets little or no support from the father of her children.

In fact, in Alabama, two-thirds of our AFDC recipients get no support from their fathers; a major contributor to welfare depend-

ency. She lacks self-confidence. She is really facing a life of misery in Alabama, a State that has, with Mississippi, the lowest AFDC payment level in the Nation. Our typical family of three in Alabama gets around $124 a month.

You were talking about the change over the last 20 years, and Alabama AFDC stayed level from 1976, and that year they got a 1¼-percent increase in 1976, and I was able to get through a small 5-percent increase last year.

I have high hopes that it is going to be a 16-percent increase this year. We passed one House of the legislature, so we are bringing our benefits up, but it has been a real struggle. We are a poor, disadvantaged State, as you know.

Senator MOYNIHAN. $124. The Family Assistance Plan would have established a national benefit indexed in 1970, and everyone said, no, not enough.

Commissioner HORNSBY. Yes, sir. When this woman that I have described, Senator, comes into one of our county offices today, we complete a 22-page application for AFDC and we check her eligibility for food stamps and we try to help her get child support, and any other assistance. But it really is just a bare minimum existence, just enough to keep them alive.

Now, if this young lady that I described happened to have been fortunate enough to come into one of the 21 counties—we have 67 counties in Alabama, 21 counties have the JOBS program in today. If she walks into a JOBS county today, Senator, a different scenario develops, and I want to tell you about that. The approach is totally different. She is assigned a case manager who sits down with her and tries to assess her ability to become self-sufficient. And the first part of this assessment has to deal with education. Again, better than 60 percent of our AFDC clients have not finished high school. And the lack of education, the lack of training is the greatest barrier to self-sufficiency or employment. But this case manager determines all the barriers to employment for this young lady and tries to help her remove those barriers.

Previously, we did not have the tools with which to remove those barriers. Another barrier right behind education, of course, and the lack of child support is the lack of affordable, safe, child care. Now we have transitional child care, and we are expanding our child care program.

Senator MOYNIHAN. And you are doing that under the JOBS program in those 21 counties?

Commissioner HORNSBY. Yes, sir. Yes, sir.

Senator MOYNIHAN. So, on the ground in Alabama something has happened?

Commissioner HORNSBY. Absolutely. We expect just great things to happen as a result of JOBS and in child care. Our child care program, in addition to the block grant funding that we have already started receiving, and receive the next big part of it in September is going to double, if not triple, our subsidized child care program in Alabama. So, it is really just a great opportunity for us.

States now can offer extended Medicaid. It was previously another huge barrier. We only offered Medicaid for 3 months to a young woman who went into employment, even at a minimum wage job. Now we can give that extended Medicaid in Alabama for

up to 1 year, and that has also greatly assisted her in becoming self-sufficient.

So, this is what happens now. In other words, this case manager tries to link her up with resources to help her become self-sufficient. And instead of walking out of one of our county offices with an AFDC check—and it is a low check, as I described—and maybe food stamps, she walks out with hope, and she did not have that before.

I wanted to mention just a few points from my prepared statement. I did want to tell you just really the fundamental change in what has occurred, and I think it is real important. I applaud you for what you did for the Family Support Act; we all do.

I mentioned local resources. I speak a great deal to civic clubs, and I say to them, we no longer can look to Washington for the help that we have gotten over the past with the budget deficit that we are facing. And I say to local communities, you no longer can look to Montgomery—the State Capital in Alabama—because we have budget deficits, too. We have got to make sure that local communities come together and assist us.

JOBS is a perfect model for doing that, Senator; a perfect model. Citizens will get interested and get behind JOBS. It is so politically popular to try to help somebody become self-sufficient that we find that the community will open themselves up: churches, civic clubs, we have Adopt-a-Family; all kinds of programs that are working. And it is important.

It has got to be a three-way partnership in addition to the Federal Government, State government, local government, and even beyond local government. It must be a three-way partnership, and I wanted to mention that. I also want to mention that we are having no difficulty in meeting the 20-percent participation.

Senator MOYNIHAN. I saw that, yes.

Commissioner HORNSBY. And I talked to my colleagues in California briefly before the meeting. We did not have an extensive adult basic education program in Alabama, and we developed contracts with the existing education programs, and we just stipulated 20 hours of educational assistance and said that that is what we wanted. Unlike other States that maybe had to try to mainstream their JOBS participants into whatever was existing, we did not have that much.

As a result, we are not having an problems meeting that, and the other participation goals are not going to be a problem for us, either. I think that is just about all. I just wanted to briefly run through these points, and again, I submit my full testimony.

But I have been in assistance programs for 23 years, Senator, and a lot of it with the Food Stamp program in the past, and I have been Commissioner in Alabama for 4½ years now, and JOBS is the most exciting thing that has ever happened in my tenure there.

[The prepared statement of Commissioner Hornsby appears in the appendix.]

Senator MOYNIHAN. You show an old grey-haired fellow up here. I know Senator Heflin would be pleased to hear that, and I am very pleased to hear it. Now, let us hear what your California colleague has to say.

STATEMENT OF KATHY LEWIS, CHIEF, EMPLOYMENT PROGRAMS BRANCH, CALIFORNIA DEPARTMENT OF SOCIAL SERVICES, SACRAMENTO, CA

Ms. LEWIS. My name is Kathy Lewis, and I am in charge of the Greater Avenues for Independence, or GAIN program in California. That program has been in existence since 1986 and was implemented state wide in 1988. We have made the modifications to conform to the Family Support Act.

California, like other States, when we were given the opportunity to develop our own welfare-to-work programs prior to JOBS, developed a program with a commitment to meaningful participation to up front basic skills, and to maximizing the use of existing resources, such as our adult education system, our community college system, as well as the JTPA system.

Because of the experience of States like California, the Family Support Act was strongly supported by the Governors. It reflected the input of many States like California——

Senator MOYNIHAN. Yes. That is absolutely right.

Ms. LEWIS [continuing]. Who had tested a variety of interventions that were designed to get welfare recipients employed. Under the Federal sponsorship of the Family Support Act, that State ownership can flourish or perish; we believe it is that serious. HHS has reached out to States in the development of its regulations, has incorporated a lot of our input in the final regulations that they published. However, with respect to the participation rates, we are certainly less than satisfied.

We are at a crossroads with respect to those Federal regulatory participation rate requirements. The issue is not whether States can reach the standard, the issue is why, what it is going to cost, and what it is going to tell you.

When Congress put participation rate requirements into law, it recognized that States had limited resources and could not serve everyone. On the other hand, it recognized the need to serve the hard-to-serve, and not to cream the easy-to-serve and easy-to-place.

Senator MOYNIHAN. That is right. That is exactly the case.

Ms. LEWIS. That has always been California's philosophy. The participation rates in law look modest, at least in the initial years, with 7 percent for 1991——

Senator MOYNIHAN. They look derisory to many people.

Ms. LEWIS. Pardon me?

Senator MOYNIHAN. They look derisory to many people, but it is when you get back down to doing it that you find out what you are up against.

Ms. LEWIS. I think that is true. If HHS had chosen to implement those standards in a straightforward way, measuring participation as it had been measured in the prior research models of the 1970's and 1980's, these initial year levels would be reasonable and achievable.

Instead, HHS has designed requirements that are going to waste limited Federal and State dollars, cause States to re-design programs to achieve participation rates with no added benefit to participants, direct program dollars from serving participants to serving administrative costs, and will look as though States are per-

forming poorly when, in fact, they are running successful programs.

I would like to talk about the two aspects of the Federal regulatory participation rate requirements, the 20-hour rule that we talked about earlier, and the 75-percent participation rate.

Senator MOYNIHAN. All right.

Ms. LEWIS. As I had indicated, participation is not measured point-in-time. For participation to count towards the 7 percent, 11 percent, 15 and 20 percent requirements, it has to be scheduled at 20 hours on average.

Why 20 hours? Because HHS has decided that that is the litmus test for meaningful participation. But what kinds of programs do not count under that standard? I would look to two major components in California's GAIN program that do not pass this test, but which we believe are meaningful participation and should count in their own right.

The first one of those activities is Job Club where we provide strong support to recipients in looking for employment, evaluating their abilities, learning how to fill out applications, resumes, and so forth. And most of our Job Clubs in California are set up at 20 hours a week. However, the component is a 3-week component. Therefore, it only counts as 15 hours a week, instead of 20 hours a week under the Federal regulations. If we have the misfortune to schedule our Job Club to begin in the middle of the month, then it only counts as 10 hours a week, and we have to find a component of 30 hours.

Senator MOYNIHAN. No. We do not want that. No, we do not want that kind of picky business.

Ms. LEWIS. So, I am not sure that that is what Congress intends. HHS has tried to provide an alternative computation method for short components that are offered up front, but it is not viable.

Let me go to another component that we use extensively in California because of our large community college system that offers vocational education and training.

In the California community colleges, full-time participation is 12 units, or 12 hours a week. It assumes that the participant also is spending 24 hours a week at home studying.

Senator MOYNIHAN. You do homework, yes.

Ms. LEWIS. That is right. Also, 12 hours is considered to be full-time for both Federal and State grant and loan purposes, yet this full-time activity, with proven, successful outcomes, does not meet the HHS test.

Use of the 75-percent measure as part of the participation rate is both unnecessary and counterproductive. We all agree that participants should not count unless they are actually attending.

However, the 75-percent attendance rule is an all or nothing rule. If, for example, we schedule an individual for 28 hours a week and they attend 20 hours, their participation does not count at all. Therefore, what we have——

Senator MOYNIHAN. Then it dropped below 75.

Ms. LEWIS. That is correct.

Senator MOYNIHAN. Yes.

Ms. LEWIS. Defining actual participation as nonparticipation does not seem to make sense to us. Also, Congress, like our State legisla-

ture, has required that we maximize the use of existing resources, and we have done that.

However, as I mentioned earlier, many of these existing resources do not meet the 20-hour a week test. HHS has suggested that we could set up study halls for our community college students in order to meet the 20-hour rule.

Does this add to the intensity of our program, improve services to recipients? No. Does it increase our costs? Yes. What we will get to do is pay for the administrative costs of monitoring study halls, as well as the child care costs for recipients to attend study halls. At the same time, what we are doing instead of treating recipients as responsible adults, we are treating them like wayward teenagers. We also think that the formula for the participation rates is both costly and administratively burdensome.

It requires contractors and county staff to track and report hourly attendance for all participants in all components on a daily basis; and contrary to what our representatives from HHS have said, sampling will not help States if the system has not been put in place to gather and store the data for all cases.

Therefore, we are going to spend the money administratively on an ongoing basis, as well as developmentally, money that could otherwise be spent on recipient services. We also think that the lessons of the past have not been considered adequately by HHS.

Senator MOYNIHAN. Your testimony mentions CETA.

Ms. LEWIS. Yes.

Senator MOYNIHAN. Comprehensive Employment and Training Act.

Ms. LEWIS. Yes. The emphasis on reporting, we have seen it in some vocational education programs. And more recently, the experience was SWIM, in California. Obviously, we have a different reading on the SWIM results. This project is widely cited for its success; it returned $3 for $1 spent, and it used a very simple methodology to define participation rates.

A recipient who was participating in either job search, training, education, or part-time employment, would count as a participation if she showed up once during the month. Of course, most participants show up far more than once a month. It is just what you are counting and reporting and tracking.

As simple as this methodology was, it also took considerable time and effort, both in development and maintenance of an accurate reporting system. It is also worth noting that an analysis of the SWIM participation rates, which appeared very high, indicates that even SWIM, which served 100 percent of the mandatory registrants in the project area—nothing that any State is going to be able to do—could not have met the new participation rate requirements as HHS designed them, even at the lower levels.

To me, this is shocking, given that SWIM represents the highest rates achievable under optimum circumstances. And I would be happy to share our analysis of the SWIM data, and I think that would find that MDRC would also agree with our analysis.

It is easy to see that States trying to meet the participation targets will be forced to direct resources as much as possible to those who are likely to meet the attendance standards, while still meeting the requirement to spend 55 percent of our money on the

target group population; something that in California we have had no difficulty doing. But this could drive you to things that I do not believe are the intent of JOBS.

For example, why not include all AFDC teens who are in high school and are not parents? They will not consume a lot of support services, nor case management services, and school meets the 20-hour-a-week requirement.

Senator MOYNIHAN. I guess I have to ask you. AFDC teams?

Ms. LEWIS. Teens. Teenagers. Children.

Senator MOYNIHAN. Teenagers.

Ms. LEWIS. Teens.

Senator Moynihan. Yes.

Ms. LEWIS. Yes. The 16 and 17-year-olds.

Senator MOYNIHAN. I got you.

Ms. LEWIS. But we do not think that is the intent of JOBS, either. I think without HHS action to revise the requirements to meet what we think is the spirit of the Family Support Act, California, and probably many other States who are running serious programs, will not be able to meet the participation targets strictly as a result of the Federal regulations and will then lose enhanced Federal financial participation.

In California, it represents $9 million in State fiscal year 1991-1992, and $12 million in 1992-1993. This, coupled with the last two budget cycles, where in California we have seen counties taking an 8 percent cut last year and a 9 percent cut this coming year for our JOBS program, it is going to be devastating. The loss of the enhanced funding will result in removal of participants from the program, and probably the eventual closure of the program in some counties.

What is the answer? I did not come here just to whine or to complain about problems. I think that to ensure meaningful participation, which is of concern to all of us, HHS needs to rely first on its authority to approve or disapprove State plan designs through its State plan approval process.

And I think the evidence is there already that the State programs go far beyond the minimum requirements in the components that they offer, both mandatory components and optional components.

HHS could also specify that orientation and assessments do not meet the participation requirements, and they could also specify that those who do not attend should not count.

We think eliminating the 20-hour-a-week rule and the 75-percent participant attendance requirement, and replacing them with a basic, simple, point-in-time—such as SWIM used—would clearly be steps in the right direction. I would like to point out that HHS's recent Action Transmittal which allows States for fiscal year 1991 to use a 1-month sample is a step in the right direction.

But given our dialogue to date with HHS, it is clear that without congressional intervention, HHS is not inclined to make the big step towards simplifying reporting and tracking of participation, and using their considerable approval authority to achieve the goal that we all share, successful programs that move our recipients into jobs. Thank you.

[The prepared statement of Ms. Lewis appears in the appendix.]

Senator MOYNIHAN. Well, one of the problems with you Californians is you never seem to be able to make up your minds. Ms. Lewis, that was very powerful testimony. Mr. Ashcraft has listened to you with great attention. Ms. Gueron is going to be speaking in a little bit.

I will wait until we have heard the whole panel before making my own comments. But we just see what we see a lot of in this country, which is that one State is not like another State. What is a real problem in California is no problem at all in Alabama. Well, what about Maine?

Ms. Burdick.

STATEMENT OF SABRA BURDICK, DIRECTOR, BUREAU OF INCOME MAINTENANCE, MAINE DEPARTMENT OF HUMAN SERVICES, AUGUSTA, ME

Ms. BURDICK. Thank you, Mr. Chairman. It is an honor to be here today, and Maine is open today, by the way. I am happy to say that.

Senator MOYNIHAN. Connecticut is closed, Maine is open, California is finished at noon. Is that it?

Ms. BURDICK. It is one way we differ. I want to thank you, Senator, for your sponsorship of this act and, although I am going to try to edit my testimony as others have, as we go——

Senator MOYNIHAN. Take your time. You came all the way down here, and probably will not pay your way back.

Ms. BURDICK. All right. I will read it, then.

Senator MOYNIHAN. You are very welcome. Really.

Ms. BURDICK. I would be remiss if I did not indicate how much help we have found the Federal Government to be over the last 2 years, actually. Partnerships are only as good as the people who carry them out, and Sue Davenport, who is the regional director of Health and Human Services, and Hugh Galligan, who is the acting regional administrator for the Administration for Children and Families, have——

Senator MOYNIHAN. We have all got to get used to that. Administration for Children and Families. ACFA. No, no, no. We will not do that.

Ms. BURDICK [continuing]. Have exercised their responsibilities well, as far as we are concerned. They have given us a great deal of help and as the Northeast has entered into some really catastrophic economic times, their help has been invaluable, and I do want to publicly thank them.

Senator MOYNIHAN. Good. Civil servants do not get thanked very often.

Ms. BURDICK. No, they do not.

Senator MOYNIHAN. It is nice to hear.

Ms. BURDICK. We are also finding that the partnership at other levels is working. We have had a difficult time in Maine I think some other States have, in sorting out who should have administrative authority for this program. But I do think we have finally concurred with our other partners that the IV-A agency—the agency I represent—is the administrative authority and that the help and

the services provided by the Departments of Education and Labor are invaluable to us, but that we do have one authority.

Maine's WIN-DEMO started in 1982, and it was a precursor to our own welfare reform package, ASPIRE, which was initiated in 1988 under the leadership of Governor McKernan.

Senator MOYNIHAN. Yes. I remember that.

Ms. BURDICK. In addition to those programs, we did have a case management demo for AFDC teen parents that had been in operation since 1983 and was a program from that date designed to help build self-sufficiency in that population.

So, all of that experience together helped us, I think, when we implemented JOBS on October 1, 1990. So, I hope when I speak to the areas that this committee is interested in, that I am speaking from more than just a 9-month experiential base.

We have operated an Unemployed Parent Program in Maine since the early 1980s. The Family Support Act, unfortunately, limits our ability to change that program, since it prohibits States which had an UP program in place in September 1988 from altering it. Meanwhile, States implementing a UP program now do have greater flexibility, and we would recommend that all States be given the same flexibility to work with the UP program.

As regards the UP program, and JOBS particularly, we are concerned that the statutory restrictions will inhibit our effectiveness. For example, job-search and literacy training do not count as participation, yet we feel that both components are essential.

The nature of employment in Maine is changing, and many of our UP's are being displaced from low-skilled manufacturing jobs.

Senator MOYNIHAN. Well, I think Alabama is hearing the same thing. We hear education more than we expected. Yes.

Ms. BURDICK. Yes. People in that program need it just as much as people in other parts of the JOBS program. In regard to transitional child care, like other States, we have experienced lower than anticipated usage. We have found—and I have got to mention it—that our clients make use of transitional transportation, which is a State-only program that we have operated until the 1992 budget reductions.

Senator MOYNIHAN. What is that?

Ms. BURDICK. Under the JOBS rules, transitional transportation is only matchable for 90 days, whereas child care is matchable for a year.

Senator MOYNIHAN. Yes.

Ms. BURDICK. And matchable for anyone who goes off AFDC; you do not have to be a JOBS participant. In transportation, that is not so. It is 3 months, and it is only for JOBS participants.

In a rural State—and there are many of them—transportation is a problem. And we have found that our clients make greater use of our transitional transportation program, which is fully State funded, and we have nipped and nabbed at every one we can.

And I think I say in my testimony that congressional staff, I think, as well as staff of the Federal Government could testify that we have been unending in just mentioning that every chance we get, so I am mentioning it here today, also.

Senator MOYNIHAN. I am sure Senator Mitchell would want to hear about that, as would Senator Cohen.

Ms. BURDICK. Yes. Both Senators Mitchell and Cohen are aware of our concern in this area. But actually, both of the transitional services are under-utilized, from the perspective of under-utilized from what we budgeted. Some of this, we think, can be traced to the recession itself, and the fact that we are placing fewer people.

And, of course, we do not have empirical data available yet. We do hear from some of our clients and from case managers that clients who are on the road to self-sufficiency may tend to shy away from the system, and I think we heard that a little earlier today from someone else who was testifying.

We also find that only about a third of our working clients use the child care disregard in AFDC, so we are wondering if, perhaps, it is our volunteers in our JOBS program have older children, and they may not need the transitional child care as much as some of our parents with younger children; time will tell.

One of our biggest concerns, however, is the fact that one has a year to apply for retroactive coverage of the child care benefit, and although budgeting in the future may make that easier using trends and patterns, if a State budgets on its first year experience and gets a number of retroactive requests, there could be budgetary problems at the end of the year trying to meet those needs.

In regard to participation requirements, they are not currently a problem. We do anticipate by 1994 when they reach 15 percent and above that, and 40 percent for the UP's, that we will face serious problems that will probably result in the alteration of our program design.

If that happens, we will lose our flexibility, we think, and our inability to individualize services, which we have found since 1982 with our WIN-DEMO, is the key to success in working with welfare mothers.

Unfortunately, we are afraid we will have to operate a program that is aimed toward those who can exit quickly, rather than those who have multiple barriers.

Senator MOYNIHAN. No. That is what we do not want. That we do not want. We are prepared to slog away with poor-seeming results, which results in actually changing something.

Ms. BURDICK. Finally, I know that everyone is interested in how the current recession is impacting on jobs in their own State. Our caseload has increased about 20 percent in the last 2 years. We have carried a staff vacancy rate in both of our eligibility programs and in the case management programs for JOBS of about 11 percent.

As we prepared the budgets for 1991 to make up for the deficit in 1992 and 1993, we were faced with very hard choices. Good choices for reducing human services are few.

In order to assure that we did not cut cash benefits below what we considered an acceptable level of decency, we did take a much larger percentage cut in our JOBS program. Our cash benefits have been reduced by half of 1 percent, and JOBS State funding has been reduced by 40 percent.

Given the participation requirements, a population that is eager to enroll—we have many volunteers on our waiting lists—and a commitment to the best possible program, we know that we face a challenge in Maine.

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We are still in the process of measuring the impact, but we believe we are going to be able to mitigate some of the negative effects by using four different methods.

One, is we have kept our program for teen parents fully funded, and we hope to expand the program to provide services to non-parenting teams. As you know, preventing these kids from long-term dependency is the key to our success.

Senator MOYNIHAN. Yes.

Ms. BURDICK. We are also in the process of developing memoranda of understanding between our agency and other State agencies, and Secretary Barnhart mentioned this memoranda of understanding that is now allowable.

We have already entered into such agreements with displaced homemakers, local adult education agencies, and we are exploring agreements with our technical college system.

We have developed several agreements for extended day child care through Head Start agencies.

For half the money we are getting a full day of Head Start, which offers, as I am sure you know, an excellent array of services to our clients and their families.

And finally, we are making some statutory changes that will limit some services, but none that we think will hurt the population. We still anticipate serving about 25 percent fewer clients in 1992 than we had planned to serve, but we are still talking about a budget of $8 million, which is double the size of the budget 3 years ago.

In closing, we are fortunate to have some years of experience, and we know we have gone through ups and downs and trials and errors, and we urge you to be patient with States who are just starting, because they are going to find the same need for trial and error before there is full success.

Millions of AFDC families are counting on this program, and we are sure it can be successful. Thank you.

[The prepared statement of Ms. Burdick appears in the appendix.]

Senator MOYNIHAN. There is a cheerful administrator whose budget has just been cut.

Ms. BURDICK. Well, at least we are open. That is what I keep——

Senator MOYNIHAN. All the way from Maine. All right. Ms. Harris, and Ms. Marcus was kind enough to come along. We would like to hear from her, too, if she has something to say. Ms. Harris, you want to begin?

STATEMENT OF LINDA HARRIS, DIRECTOR, BALTIMORE OFFICE OF EMPLOYMENT DEVELOPMENT, BALTIMORE, MD

Ms. HARRIS. Good afternoon, Senator. I am Linda Harris. I direct the Baltimore City Office of Employment Development and I do have accompanying me today Shirley Marcus, who is director of the Baltimore City Department of Social Services.

I first want to say on behalf of Mayor Kurt Schmoke, we appreciate this opportunity, Senator, for you allowing a local perspective to be shared on the implementation of JOBS.

You may know that a top priority of Mayor Schmoke's administration is an increased commitment to education and programs that invest in people, and that is what the intent of JOBS is all about; investing in people.

The mayor is keenly aware of the challenges facing the local JOBS program and appreciates this opportunity. Ms. Marcus and I have the joint responsibility locally for implementing the JOBS program in Baltimore, and we hope that our experience will be helpful to the subcommittee in your oversight. We are planning for our third year of implementation, so we actually have 2 years. We began right after the legislation was implemented with the planning process, and actually got started before the final regulations came out.

So, we have been doing a lot of adjustment, but going on the intent of the legislation and what we saw in the draft regulations, we crafted our program in Baltimore, and also in Maryland.

We were very fortunate that the State of Maryland was progressive in its approach to the implementation of the JOBS legislation.

At the behest of Governor Schaefer an interdisciplinary policy board was formed by the Governor's Employment and Training Council to provide guidance on the implementation; the State Department of Human Resources and the State Department of Economic and Employment Development both concurred that they did not want to duplicate structures that were already in place, and decided to build upon the existing job training partnership infrastructure.

But this was to be subject to a very collaborative local planning process. The Private Industry Councils in Maryland and in Baltimore City were asked to facilitate the local process, and in Maryland, we call this Project Independence.

Locally, we were very excited about the change in philosophy that was articulated in the legislation, believing, in fact—and truly believing—that this was the opportunity for all the infrastructures to really begin doing what needed to be done on behalf of the welfare population to move them into the labor market mainstream.

Our planning process was a very inclusive one. It was not just a State/local collaborative, but we had employers, the welfare advocates, the job training staff, the social services staff, we brought the school administrators in, the legislators, and public officials all into this new way of doing business.

The mayor actually told the other public officials in the city that they were to be part of this process, so that we could make sure that any barriers were reduced in the process. We believe that what we put in place is probably one of the most progressive welfare-to-work strategies that you will find in this country, and we believe in it very, very definitely.

One of the things that we did realize was a new welfare-to-work strategy required a change in all of our infrastructures, and we did what was necessary. We have new job specifications that were created across several different levels of staff in lots of agencies. The staff across the agencies were cross-trained. In the past, many of them did not communicate. We did cross-training. Lots of new procedures were put in place.

We put in electronic mechanisms, so as we were managing thousands of cases a month, we were able to know where people were; what their employment plans were; where were they in the process; and what were the barriers of each of the participants.

The staff in all of the delivery systems were very highly energized and excited about the new approach and bought into this. It was exciting for everybody that was involved. We took a comprehensive approach.

As was mentioned by California, we were not new in this effort. We began many years ago with the OPTIONS program in Baltimore City, and we have had a history of working with this population. But the JOBS legislation really brought not just the resource, but brought the infrastructures together to really do it right.

Senator MOYNIHAN. Yes. That is sort of an unexpected little benefit there. Yes.

Ms. HARRIS. Yes.

Senator MOYNIHAN. Yes.

Ms. HARRIS. Some of the key features included a system designed to accommodate 600 new welfare clients every month. We knew in Baltimore after the initial phases of operation that our program was to be a mandatory system, because the hard-to-serve rarely walk up and say, please help. It is a mandatory participation program.

We targeted the hardest to serve. Seventy percent of our participants were in the high-risk categories; those were the teen parents, the long-term welfare recipients, dropouts.

Over 50 percent were high school dropouts with low literacy levels, many of them below the fifth grade reading level. This was a different challenge for the job training system.

Senator MOYNIHAN. Fifth grade?

Ms. HARRIS. Below fifth grade. We had to do substantial intervention on their behalf. We put a supportive case management structure in place. What we had was the intensive case manager in the social services office paired with employment counselors in the job training system, and together they managed the process for the clients, addressing the child care, the health barriers, the family barriers, and at the same time, getting the individual to the appropriate type of service that was needed.

We recognized that not everyone needed the same amount of time, so we designed a system that allowed people to go through in 3 months, if that was what was appropriate, recognizing that others may be involved for as much as 2 years in order to get them to where they needed to go.

So, therefore, we had a very broad array of services that included job-search workshops, work experience, remedial education, on-the-job training, classroom training in over 25 occupational areas, and post-secondary education matriculation.

Because of the literacy problem that we experienced with the population, after starting Project Independence, we catalyzed the start of 15 community-based, computer-assisted literacy labs, giving intervention 20 hours a week to individuals who had reading levels below the fifth grade level. We had to bring up over 500 slots in order to help service the need.

We also recognize you cannot take young teens who have dropped out of school and put them back into the existing structures, so that a transitional learning center in the public schools was put in place specifically designed to ease the transition back into high school for kids who had already dropped out—and who had children—who needed to get back into the mainstream.

We also structured special alternatives within the school system to accommodate the return of custodial parents back into school, and the Social Services Office had provided special prioritization of the child support enforcement, because we recognized once a mother went into the work force, there was going to be a need for the additional income stream that could be garnered from stepped up child support enforcement in payments.

Senator MOYNIHAN. How are you doing there? What would you say your percentage is?

Ms. HARRIS. Ms. Marcus.

Ms. MARCUS. We are seeing a significant increase in the amount of the child support order for families that we have been able to prioritize as a result of Project Independence—significant increases, as much as 200 percent.

Senator MOYNIHAN. And you think the statute is having some effect?

Ms. MARCUS. Oh, yes.

Ms. HARRIS. Definitely.

Ms. MARCUS. Definitely.

Senator MOYNIHAN. All right. Not every statute does.

Ms. HARRIS. In its first year of operation—as I say, we are going into the third—but in the first year, Baltimore City's Project Independence program had assisted 1,789 clients in finding unsubsidized jobs at wage rates of $5.25 an hour. Seventy-five percent of those jobs included health benefits. That was one thing that we strived for.

Six-month followup of a representative sample indicated that 65 percent were still employed there, and all were very enthusiastic about their participation.

Senator, we provided these key elements of the program because it is against this background that we want you to understand the magnitude of the negative impact that is being created by the rising participation rate requirements, coupled with the welfare caseloads and the bleak fiscal outlook. We are deeply concerned——

Senator MOYNIHAN. I am going to ask, just so the record is clear and so I am clear.

Ms. HARRIS. Yes.

Senator MOYNIHAN. We speak of the participation rate requirements, which are written in the statute, and then we are talking about the number of hours per week that qualifies you as a participant.

Ms. HARRIS. Right.

Senator MOYNIHAN. So you are talking about both?

Ms. HARRIS. I am talking about both. And I guess at this point, I am not quite sure how much of it can be addressed by regulatory—it is the interpretation of the regulations in regard to the participation rates. As I said, we read the legislation before designing the

program. In designing the program, we thought that this design could work. It was only after we have had the experience with implementing the attendance tracking, which we have done now since December, and actually tracking the participation rates, that we are very concerned that we are not going to be able to keep our system in place.

Senator MOYNIHAN. Well, we heard something like that from California.

Ms. HARRIS. Right. It is very serious. Yes.

As a matter of fact, I can tell you what we are facing right now going into the third year.

Senator MOYNIHAN. Sure.

Ms. HARRIS. And that is that beginning in October 1991, Baltimore City is expected to increase their monthly participation rates from 1,500 to about 2,300 clients, 2,300 clients every month.

We have to do that with $2 million less in funding, because of some funding cuts that have taken place, and because of the redistribution that is happening in funds because welfare caseloads are going up all over the State. In order to hit 2,300 clients to be counted as participants, we are going to have to enroll at least 3,000, maybe more, because of the complexity of how the participation rates are calculated. All of our programs in general, Senator, are designed to be 20 hours a week or more.

So, we are not talking about not being able to count the programs that are of lesser hours; we are very concerned that even though we are doing programs of 20, 30, and 40-hour a week, because of the way the calculation methodology works out, we cannot count all of those people that are served in those types of programs.

The other problem really is a problem of funding resource; if you look at the amount of money that is available and that is allocated, and even doing simple division in terms of the number of people that we have to serve every month—and that number continuing to go up while the base is declining—we calculate that there is less than $225 per client, per month to service these individuals.

Senator MOYNIHAN. That is hard.

Ms. HARRIS. Just to deal with their transportation costs is going to take a third. To get them to and from work is going to take a third of that. We cannot continue to do the level of intensity, the remediation, the skills training, the things that most of the client population needs with the amount of resource that is available.

I should also indicate that Maryland is drawing down a significant portion of what is available to them. In the first year of implementation, they drew down, I believe, 95 percent of the Federal funds that were available.

And next year, even though they could not appropriate any more because of the fiscal situation, they are still at about 82 percent of the resources being drawn down. We are trying to make the most effective use of the resources. Forty percent of our job training allocation is going in support of this program. But we took the fact that we wanted to invest and put a system in place.

In planning for next year, we are starting now to dismantle our programs and it deeply disturbs us. We are pulling our counseling support out of the remedial programs; we have shut down some re-

mediation programs; we have cut our case management structure; we have done a lot of changes just to try to anticipate where we need to be next year.

And it is deeply concerning us that next year we do not know what is going to happen to the system when we have to be at 20 percent. We recognize that the participation rates are going up—they are going to triple over this 4-year period—but the funding resource is only going to increase by 25 percent.

We are also concerned because we have taken the time to put in place the attendance tracking and monitoring systems as required by the regulations. And having done that, we recognize that the artifacts of the calculation methodology is going to make it very difficult to reach these numbers.

What we are looking at next year is the potential of having to change the system that we put in place during the first 2 years to one that will service about 10,000 individuals over the course of the year, with 70 percent of them, or more, receiving nothing more than a workshop or work experience. And we know that while there is a segment of the population that can succeed with that, we know the majority of the population cannot.

Senator MOYNIHAN. That is not why we enacted the Family Support Act.

Ms. HARRIS. Exactly. That is not what the intent is. We are also concerned, because we do believe that Maryland is further ahead than a lot of the States in the actual implementation of attendance tracking and monitoring, so I think a lot of the other States that have put their training programs in place when they get up against the attendance tracking system and monitoring system, will find the same things.

We think there are other ways of doing the calculations that will allow us to keep the systems in place in the spirit of the legislation, but will not put the same imposition on the numbers that the requirements do now. And that is what we really would urge looking at from the field.

Just to give you an example in terms of the attendance tracking, some of the problems we have run up against is that we think the participation rate numbers are artifacts of a complicated methodology, and they do not really reflect the number of people that are in programs 20 hours a week in a given month.

As we run it over the period of time, we have also found to fully count the hours of participation, programs have to begin the first week of the month and the last week of the month. If you can imagine us trying to move thousands of people in and out of programs, for us to design a system where we start all our programs at the beginning of the month and the end of the month does not make good programmatic sense at all.

We also discovered that—and I think it is just part of the calculations—that moving people into activity in the same calendar month as their assessment actually lowers the participation count; it does not increase it.

These sorts of things, are artificial artifacts, and we do not think we should be doing program design based on these kinds of anomalies in the process.

Let me just say, that the legislation does encourage—and I think the only way you can hit the intent of JOBS—is by coordinating with other systems. But we have also found that in order to count attendance and participation, we have to impose attendance structures on systems that already have a vehicle in place to track attendance; community colleges, school systems, et cetera.

Senator MOYNIHAN. Yes.

Ms. HARRIS. And that really does not make for good coordination, it is very cumbersome, and it is duplicative. We think that needs to be visited.

I think in looking at where we think things should go, I made a couple of recommendations which really fall outside, probably, of the regulatory process, more in line with, if you ever reconsider parts of the legislation, what might be considered that I mentioned here.

Senator MOYNIHAN. Yes.

Ms. HARRIS. Let me just go through them briefly, and I will end my testimony. One, if we could modify the requirement that States reach 20 percent monthly participation rate level by 1995, and consider as an alternative that 20 percent of the annual caseload being served over the course of the year is much easier to implement than the 20 percent monthly participation.

Senator MOYNIHAN. Yes.

Ms. HARRIS. Considering a more flexible mechanism for allowing States to draw down the Federal match, if you are really trying to get individuals to serve the hardest to serve, if we could have a more productive Federal/State match for serving target populations, it would get more resources to be used for the target populations.

Giving different weights in the calculation of the participation rates might help. If you increase the weight given to the target groups in that calculation methodology, it will take some of the pressure off of the numbers. At the same time, it will enhance the intent of the legislation.

I think just that there needs to be more look—and MDRC and some of the other evaluations may point to that—at the field experience in trying to eliminate some of the procedural processes that are cumbersome.

I also think that there should be real emphasis that the JOBS program build on existing infrastructures. We can ill afford to waste the scare resources by duplicating existing structures.

Senator MOYNIHAN. Yes.

Ms. HARRIS. Let me just say we really heralded the legislation that moved our State into this very pro-active, progressive program in Maryland and in the city, and we are proud of what we have accomplished, and we are very concerned about having to dismantle it and feel that if we are forced to hit the participation rates at the level that they are required, that we are going to go to a program that is less than what we think is necessary to do what is the intent of the legislation.

Thank you, Senator.

[The prepared statement of Ms. Harris appears in the appendix.]

Senator MOYNIHAN. The people from Maryland seem to be able to make up their minds, too.

Ms. Marcus, would you like to say anything?

STATEMENT OF SHIRLEY MARCUS, DIRECTOR, BALTIMORE CITY SOCIAL SERVICES DEPARTMENT, BALTIMORE, MD

Ms. MARCUS. Good afternoon, Senator. I think Mrs. Harris adequately conveyed the concerns that we have in Baltimore City. However, I do, on behalf of Governor Schaefer and Secretary Colvin, really want to congratulate you on your leadership in the passage of the Family Support Act.

It has meant a major transformation for us at the City Department for Social Services. We have an AFDC population of about 37,000 households, which translates into about 100,000 individuals.

Senator MOYNIHAN. What portion of the population would that be?

Ms. MARCUS. Well, according to the Census—the most recent Census—we have a population in Baltimore of about 730,000.

Senator MOYNIHAN. You have about 15 percent of the population.

Ms. MARCUS. That is correct. And a very large percentage—over 200,000 of those individuals—are illiterate. So, we have a very, very——

Senator MOYNIHAN. No, you are just an average American city. I mean, that is not out of anybody's range.

Ms. MARCUS. Well, we have got some major issues that we are dealing with in the city of Baltimore. And as Mrs. Harris indicated, implementation of the Family Support Act was a major collaborative, and involved a number of agencies.

And we are excited about the message that we are sending the public assistance population in our city, and it causes us a great deal of concern to even have to consider total dismantlement of a program that is so needed in our city.

So, I just would echo her concerns about the participation rates and looking at what can be done to make the appropriate adjustments.

Senator MOYNIHAN. We thank you very much. Thank you all. Now, let us see. I guess I am hearing that we have to look at this 20-hour rule, do we not? It does not provide a problem to Mr. Hornsby, but it is a problem for Ms. Lewis. Ms. Burdick does not seem to have much trouble, Ms. Harris does. Well, that bespeaks a complexity that creative administration responds to. You really want it changed, do you not?

Ms. LEWIS. Absolutely. And I would like to add one thing that Ms. Barnhart referred to, which said that the prior research indicated that the results were modest, and that the participation requirement of 20 hours was what is going to move us forward.

And I would posit that instead, what is going to move forward, is the emphasis that the Family Support Act has on basic skills, and it is that kind of participation. Because it is an issue of measuring, it is not an issue of what we are doing, except with the heavy emphasis on basic skills.

Senator MOYNIHAN. Well, that is what Alabama finds. Those fifth grade educations, there is no work in Alabama, there is no work in Maine anymore. There used to be; we know that. We started writing that in President Kennedy's message on welfare in 1962.

I was an Assistant Secretary of Labor for Policy Planning, and we were already seeing the changes in the work force. And they do not stop.

At the same time, we have more people who are just sort of not taking advantage of opportunities that are already there for them. I mean, in 1962 when you talked about people who did not have an eighth grade education, it was because half of them had grown up in counties where the schooling stopped at the sixth grade, and so there was not much they could have done about that. But if you drop out of school now, you have done it to yourself. But even so, it has happened, and then there are the children that follow.

I guess I will take it on myself to ask. Secretary Barnhart is a very responsive person, to sit down and look at your experience on the ground. And Baltimore is not that far away. As a matter of fact, no place is far away. By definition, all States are equidistant from Washington.

Now, on the participation rates, we will not talk about that now. I think the 20 percent, the monthly participation rate is an interesting point. Changing that would require a statute, would it not? Yes. All right. If that makes administrative sense we will do it, so it will be done.

I like the proposal on drawing down the Federal match. Do not tell the OMB, they might not. The same reason you would, they would not. But this money is there to be used, not meant to be saved. We are not saving any money here. All right.

Ms. Burdick, do you have any further thoughts?

Ms. BURDICK. No. Thank you very much, Senator.

Senator MOYNIHAN. Commissioner Hornsby?

Commissioner HORNSBY. No, sir. Thank you again.

Senator MOYNIHAN. And Mrs. Harris?

Ms. HARRIS. No. Thank you.

Senator MOYNIHAN. And Mrs. Lewis.

Ms. LEWIS. Thank you for the opportunity.

Senator MOYNIHAN. Ms. Marcus. Thank you very much. It is really important for us to get a feeling of what it is like on the ground in these things, and we really did appreciate it very much.

Ms. HARRIS. Thank you, Senator.

Senator MOYNIHAN. Now we are going to hear from the authority that has been invoked all afternoon, and she will tell us what is really going on, what she is finding, and we are pleased to have Judith Gueron, who is the president of the Manpower Development Research Corp. And Judy, I want to have stated for the record that most people finish testifying in our committee, and the first thing they do is get out of the hearing room as fast as they can. But all those people who just testified went back and they are going to listen to you. Now, maybe that is because their plane has been cancelled, but I do not think so. We welcome you.

I notice that our television is now retired. Can we get those lights off and the windows open?

We have your testimony. We will place it in the record, and you proceed.

STATEMENT OF JUDITH GUERON, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP., NEW YORK, NY

Ms. GUERON. Thank you, Senator. Good afternoon. I really appreciate the opportunity to appear before this committee today and to outline what we have learned about the JOBS program so far, and what we will be learning in the evaluation over the coming years.

I would like to begin by noting how much interest there is in JOBS, even at this time of economic pressure and harsh budget news. The eagerness to make welfare reform work that was evident 3 years ago can still be felt in welfare offices and job training centers across the country. As I talk to people who are running JOBS programs and providing JOBS services, I hear they want to succeed.

This enthusiasm, I think, can be traced in part to the diversity of solutions encouraged by the JOBS design and the program that you were so involved in writing.

Senator MOYNIHAN. Which you were so involved in devising.

Ms. GUERON. Well, we were all wise together. People with very different ideas about the causes of poverty and welfare dependence can find reason to hope that JOBS will make a difference.

A resurgence of interest in the living conditions, the poverty and the achievement of American children may also count for the broad appeal.

But you know very well that enacting legislation is only the beginning of building an effective program, and JOBS has reached a vulnerable stage of early implementation.

The initial high expectations for the program very naturally have not yet been matched by performance, and solid information of what is going on is scarce.

When FSA was being drafted and debated, there was a substantial amount of evidence from research to help inform the policy choices. Most important, there was clear indication that employment programs for welfare recipients returned taxpayers' investments, usually very quickly and sometimes more than three-fold. The authors of the Family Support Act recognized, however, that further study would be needed to gauge the effectiveness of what was an innovative and very new program and, thus, built an evaluation into the legislation. We are pleased to be conducting that under the direction of HHS and with support from the Department of Education.

In my remarks today, I would like to focus on three areas. First, very briefly, the results that we have in hand from past research, and then what we see in the field in the implementation of the JOBS program. And finally, the JOBS evaluation design itself.

First, the knowledge base. Rigorous evaluations of prior programs, as I mentioned, showed that these programs had positive results. They could get people working and they could produce sustained increases in earnings, and reductions in welfare.

However, JOBS intentionally departed from the past, and in part, this was because the research also showed that previous programs had some crucial limits. JOBS was meant to extend them. Most notably, the prevalent models of the 1980's—with an emphasis on immediate employment, what is sometimes called labor force

attachment programs—produced gains that were relatively modest and, in general, with an exception being the SWIM program that Kathy Lewis referred to, did not succeed with the more disadvantaged half of the caseload. By emphasizing education and vocational skills training, JOBS aims for larger impacts and success with long-term recipients.

Now, what are we seeing so far as we look across the country in terms of JOBS implementation? Almost 2 years ago, the first States converted their WIN and WIN-Demonstration programs and began operating under the JOBS rules.

And as we look at those programs, and our examination comes primarily from the 22 States that applied to be in the JOBS evaluation and extensive visits our staff have made to those States.

Senator MOYNIHAN. Twenty-two States volunteered?

Ms. GUERON. Yes. Wanted to be——

Senator MOYNIHAN. That really does speak well of this profession. It terrifies me when I hear from a State, mention an evaluation and school teachers go crazy. I mean, what is the matter with them? But that is very impressive.

Ms. GUERON. I think there is a great eagerness to understand whether the new approaches will work. After all, State money is being spent. They would like to know whether what they are doing pays off for the people living in the States and their budgets.

Senator MOYNIHAN. Sure.

Ms. GUERON. So, as our staff has visited those States, we have seen several developments and a changing landscape of JOBS implementation, some of which you have heard from the panelists that spoke before me.

The initial period was characterized by expansion, enthusiasm, high expectations, and substantial innovation. Choices were made in 1989 and 1990 that were consistent with the human capital development and opportunity refrains of JOBS.

In their early plans, States moved away from the labor force attachment approaches and, accompanying the shift, they placed less emphasis on getting people immediately into jobs, and more on assuring their participation in education and training designed to increase their long-term earnings potential. In these ways, the opportunity side of JOBS seemed to take precedence over the obligation side, with more emphasis on providing intensive services than on mandating participation.

States also shifted away from serving everyone, without particular regard to how long they had been on welfare, and have focused and given priority to the long-term recipients targeted in the legislation; the priority groups identified in the legislation.

We also saw that most of the actual education and training services included in JOBS were by arrangements between the welfare or JOBS office and other outside agencies, including JTPA, and various adult education systems.

We have seen the welfare agencies generally retain responsibility for identifying people and for targeting services, and expanding their systems to assess client needs, track those people, build information systems, and provide support services.

Recently, a theme in JOBS has been a revisiting of decisions made in the initial expansion phase, and we heard some of that

from Linda Harris today. As a result of budget pressure, we have heard much more from States about the need to move people rapidly off the rolls into jobs. In addition, State officials are beginning to be concerned about their ability to meet participation standards for the program, and we have also heard about that today.

It is not obvious, given the extremely complicated formula for calculating a State's participation rate, what are the best strategies for meeting the standard, or the most effective day-to-day management practices.

It is also not clear that States yet have the capacity to collect the detailed information about JOBS clients needed to determine how many can be counted towards a State's participation goal.

Senator MOYNIHAN. This case gets more persuasive. You fellows over there, listen up now. Ms. Harris said they are sending people off to places like schools which take attendance all the time. Then you add another attendance requirements on top of it.

Ms. GUERON. That is right. And it is clear that this issue alone is absorbing enormous energy. I would say that there are some positive effects, in terms of tighter management and people paying attention to whether, when you send someone off to a place, they actually show up and get services. That is all for the good. But in other ways, these participation standards may be distorting program approaches and distracting people throughout the welfare, education, and job training systems from some of the larger purposes in the law.

What decisions do we see being made in JOBS to deal with some of these pressures? The results are not in yet from this year's State budget-making. In many States, JOBS seems to be holding its own. In others we see cutbacks, and in some States, programs continuing at the same level.

Our staff recently called around to 19 States that we are in contact or working with; and we found that eight of them had cut back their program either this year or the past year; that eight were continuing at the same level; and that three were expanding.

Few States, the evidence suggests, were able to draw down the full Federal matching funds, even before the budget problems hit full force.

Senator MOYNIHAN. Yes.

Ms. GUERON. And thus, I think we should be concerned that JOBS may not meet its full potential as soon as initially expected.

Senator MOYNIHAN. Now, that is a ratio that this committee wants to know about. We put up these monies. Now, in order to use them, you have to match them, you have to do something. And it is not being used. That is a question that has to be addressed.

Ms. GUERON. Right. Obviously.

Senator MOYNIHAN. Yes.

Ms. GUERON. In terms of the key features of the programs, we see States are responding to changes in the funding picture in a number of ways; by restricting eligibility for JOBS, but still concentrating on the most disadvantaged—the JOBS target groups.

They may be limiting participation mandates to certain activities in some cases; in some cases shifting away from education and training towards job-search assistance and unpaid work experience;

and by cutting back on the contact between staff and clients and allowing increases in the size of caseloads that staff are assigned.

Finally, turning to the evaluation, the prominence that States give to different services and populations in JOBS is not yet fixed, but it is clear that JOBS programs will differ substantially from those typical of the 1980's, raising important new questions. Among these are new questions, such as: Does education provided through JOBS improve participants' basic skills? Are they more literate after all is said and done? Do any of the educational gains translate into substantially higher paying jobs? Will the greater investment in education and training that we are seeing happening across the country lead to greater returns? In other words, do the human capital investment programs do better than the labor force attachment ones, and for whom?

Senator MOYNIHAN. We said that education was one of the things that people would have if our goal was to be effective—to accomplish more than just labor force attachment.

Ms. GUERON. Well, we have seen that the law has successfully redirected the system to do that.

Senator MOYNIHAN. Yes.

Ms. GUERON. We do not yet know whether it is working in terms of——

Senator MOYNIHAN. Whether anything happens.

Ms. GUERON. Yes.

Senator MOYNIHAN. Yes.

Ms. GUERON. And finally, in the evaluation, another question is what programs are most effective for what groups, where effectiveness is judged in a wide range of measures: the quality of jobs people get, whether their literacy is improved, whether they move out of poverty, and the effects on the cognitive, and behavioral, and social development of the children in the families of JOBS participants.

I am pleased to say that the evaluation is now under way. HHS has selected most of the sites. People are being enrolled in the study, and the evaluation that has been designed promises to answer most of these important questions.

In conclusion, a central question about JOBS at this early point, if we interpret correctly the intent of this committee, is: "Are States running serious programs?" And I think the answer to that is, "Yes, they are."

Senator MOYNIHAN. Yes.

Ms. GUERON. In response to another question that I might anticipate—"Is JOBS in trouble?"—I would say "No, but it will be important for this committee to keep watching." There is some danger that JOBS programs will be overwhelmed by a combination of economic pressures and accounting requirements before they can be adequately tested. All of us interested in welfare reform have a stake in helping States figure out how to keep it alive and avoid reverting to the more anemic version of WIN that JOBS was meant to replace.

I was reminded recently that the Head Start program, now popular and almost uniformly defended as effective, survived some rough early years until positive long-term evaluation results stimulated interest and support.

While we cannot predict the results of the JOBS evaluation, the program's goals are sufficiently important to merit our best efforts to make sure that the program has a chance to yield those results.

Thank you.

[The prepared statement of Ms. Gueron appears in the appendix.]

Senator MOYNIHAN. Well, Judith Gueron, we are deeply in your debt once again. I read your testimony, and I listened. And that Head Start analogy that you used—I have got someone coming in to see me tomorrow doing a history of the Westinghouse evaluation of Head Start.

But there is Rossi's Iron Law—you have heard me on Rossi's Iron Law—which is that with respect to any social program, the evaluated results will hover at plus or minus zero. I mean, the evaluation tends to knock the stuffings out of the things, and I do not know why this is a law.

Ms. GUERON. Well, I think Rossi is proven absolutely wrong by the evaluations of programs for welfare recipients——

Senator MOYNIHAN. Some of those things have worked out.

Ms. GUERON [continuing]. That have hovered consistently positive. I mean, we start JOBS without that great uncertainty as to whether this endeavor is worth it at all.

Senator MOYNIHAN. Yes.

Ms. GUERON. And I think that really refutes the rule that you always support the null hypothesis of zero impact.

Senator MOYNIHAN. The null hypothesis does not always come in. That is what you told us when we were working out this program.

Ms. GUERON. That is right.

Senator MOYNIHAN. Yes. We are prepared to stick with it. But I will just say, on Head Start, that has required more reputation than I can understand.

And then you get into the everybody knows formulation. And well, all right. If everybody knows, everybody knows. But I do not know and you do not know. And sometimes what everybody knows turns out not to be so.

Ms. GUERON. Yes, sir.

Senator MOYNIHAN. Everything is just going fine there. When would you think you might begin to get some results?

Ms. GUERON. Well, as I said, we have just started.

Senator MOYNIHAN. 1993 is when you are beginning to get some information, maybe?

Ms. GUERON. Yes, for early results, possibly, on participation. I mean, we are just enrolling the sample.

Senator MOYNIHAN. No hurry. All right.

Ms. GUERON. So, it is going to be awhile, Senator.

Senator MOYNIHAN. That, we understand. I mean, I hope we are not being just mindless about this, but we have said that it will be the year 2000 before we know whether we have done anything here or not.

That will be a good way that we can keep people—I see some wincing there on the departmental faces, but look, it took us a generation to get into this situation. We are not going to get out of it in the course of one Congress, or two.

I think I have heard—and I think I will not ask your comment, because you are neutral in this thing—but I have heard that some of those problems that come about when Washington tries to make uniform rules to people on the ground, that energy gets caught up chasing reporting information around, rather than doing what you need to do. And I do not ask you to comment on that, because it will work out.

Is there anything you want to tell us that we should be doing? Have you seen that bill that we have put in about getting some longitudinal tracking of the experience of welfare dependency?

Ms. GUERON. Yes, I have.

Senator MOYNIHAN. That surely is something helpful.

Ms. GUERON. Yes. That should be very important.

Senator MOYNIHAN. Then we can begin to put in some of the evaluation findings as they come on stream. As I said, if you ever saw one of those early reports of the Council of Economic Advisers, you know, they are 25 pages long, and there is a picture of a wheat field on the front, and a combine. And there was not anything in them. They did not know anything.

This is the Employment Act of 1946. The Bureau of Labor Statistics, at that point, used to take the unemployment rate every 10 years in the Census. But within a year, they had done the mathematics of sampling and they started reporting. And little by little, more detail. I think we have the capacity to do something, and I mentioned that economic report because it was quintessentially a product of the Full Employment Act of 1946.

And what was your typical problem of the industrial era? It was unemployment. A baffling experience. What the hell is unemployment? There was never any unemployment until there were factories. People starved to death, but they were never unemployed. It just did not rain that year, or the sheep got sick, or whatever. It took us a long time to measure it. And I think having measured it, we do better.

We have not measured welfare dependency, and we still are surprised at the extent of it. I think if we do, we might learn to do something about it. In the meantime, this committee is always much in your debt. We are so proud of you and that organization you run so well. We will be hearing from you again as another year's cycle goes round. In the meantime, I want to thank all of our very faithful audiences. I mean, when we are talking about children, no one ever comes to these things. It is not like this is an oil depletion allowance hearing. But we have things to talk about, and we will talk about them. We are going to get some proposals in writing. We thank you all very much. And with thanking our reporter, we are adjourned.

[Whereupon, the hearing was concluded at 4:55 p.m.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF JO ANNE BARNHART

Mr. Chairman, Members of the Committee, thank you for the opportunity this morning to bring you information on our progress in implementing the Family Support Act. This morning, my primary focus will be on the Job Opportunities and Basic Skills Training (JOBS) program since that is the subject of this hearing. The child support enforcement provisions of the Family Support Act are equally significant and I look forward to discussing our progress with them at a later hearing.

Since the last time I testified before your Committee, Secretary Sullivan initiated a reorganization within the Department of Health and Human Services that has brought together a number of the programs that serve vulnerable children and families. As a single agency the Administration for Children and Families (ACF) will provide greater emphasis and greater focus on the needs of America's children and families. It will allow for closer coordination among related programs which will in turn enhance our ability to improve the lives of vulnerable children and families and promote their self-sufficiency.

As you are fully aware Mr. Chairman, the Family Support Act was enacted as a response to the concern over long term welfare dependency, the apparent difficulty experienced by a number of American families in achieving basic economic independence. Less than 17 percent of today's families living below poverty have a full-time working breadwinner. The effect of that low percentage of labor force participation has been increased by a concurrent sharp decrease in family formation, often leaving to one parent the responsibility for both work and child rearing. Recognizing this, the Family Support Act was built upon the twin objectives of fostering parental responsibility through child support enforcement and of encouraging employment through education, training, and work activities. For many single parents, a job alone will not be enough to overcome the barriers of dependency. In these cases a combination of earned income and regular child support payments will be necessary if we hope to help single parents move toward self-sufficiency.

Our objective, in implementing the JOBS program is to enable families to work toward self-sufficiency through employment. To accomplish this we must help parents develop skills and work experience that will enable them to find employment, and equally in my view, we must transmit society's expectations, through the welfare system itself, that parents must work to support themselves and their children. I believe this concept of mutual obligation is critical, and only where it becomes institutionalized within our welfare system are we likely to be successful. To achieve this radical change in the nature of public assistance, those who administer the AFDC and JOBS programs must go beyond viewing welfare's primary mission as that of cash assistance. In my talks throughout the country I restate my belief that the Family Support Act delivers a message to welfare agencies—that those agencies which view themselves merely in terms of income support are no longer fulfilling their mission.

Let me reiterate our view that ultimately, the success of the JOBS program can only be measured by the degree to which families achieve economic self-sufficiency. while JOBS will accomplish many other measurable indicators in pursuit of this objective, such as increased skills and education, these must be viewed as a means to achieving self-sufficiency and not an end in themselves.

Even if it is successful on an individual basis, if the JOBS program reaches only a small proportion of AFDC recipients, we cannot hope to change the system as a whole. The JOBS program must have breadth and depth—breadth to reach large

numbers, including potential long term recipients, and depth to insure a significant JOBS experience which has a reasonable chance of changing the life prospects of each participant.

Let me briefly review our accomplishments in JOBS since passage of the Family Support Act:

- All States are currently running JOBS programs, 35 on a Statewide basis.
- 76 Indian Tribes and Alaska native organizations are running their own JOBS programs.
- Using the flexibility provided by JOBS, States have crafted a variety of programs. 45 States have chosen to offer more than the combination of 4 mandatory plus 2 minimal optional components.
- A field review guide used to identify both potential operational problems and best practices was developed last spring and has been used successfully in some 36 on-site State reviews.
- The technical assistance (TA) contracts for JOBS and Tribal JOBS are well underway. Approximately half of the regional program design conferences have been held and they have been very successful.
- The first four States which will participate in the JOBS evaluation have been selected and study designs are in development.

We expect to finish the field reviews of JOBS for all 50 States by the end of this year. And, although we are still in the early stages of analyzing the findings from the reviews that have been completed, there are some general observations we can make about JOBS.

- Most States are making significant investments in education and training, while job search and work experience are utilized to a lesser degree. Some States are revaluating this program balance in light of their experiences with JOBS in the last one to two years.
- Coordination between State employment, education, and JOBS agencies is improving, and the JOBS TA contract has been a catalyst to encourage that coordination.
- Most States met the target group requirements for fiscal year 1990 (31 out of 35 States that reported).

Truly, significant strides have been made towards JOBS implementation We remain alert to emerging policy issues since the publication of the final rules and have held discussions with States on the impact of various policy provisions contained in both the statute and regulations. As a result of these ongoing discussions, we have made several modifications to help States implement JOBS.

To give an example, many States found the regulatory requirement that State matching funds be appropriated directly to the State or local IV-A agency (or transferred from another agency) imposed severe administrative burdens. In some instances this requirement prevented matching funds from being made available because the transfer of funds could not be accomplished. Accordingly, we restructured the requirement to enable a nonwelfare agency to directly spend funds on JOBS services while retaining the authority of the IV-A agency to determine the specific activities and services to be provided by these funds.

Data collection is a second area in which we continue to work closely with States to resolve difficulties resulting from program requirements. And I know, Mr. Chairman this area is of particular interest to you.

Most States are experiencing some difficulty in collecting and reporting JOBS information. As an example, the statutory reporting requirements relating to participation and targeting impose significant data collection requirements that involve tracking individuals. This tracking must occur in order for a State to obtain the enhanced JOBS match. This difficulty is compounded by the number of providers of JOBS services in each State.

Another reason cited by States for providing incomplete data is that they have not been collecting this kind of information before and they do not yet have automated data collection systems. Therefore, many of the data collection difficulties may be solved through the implementation of the JOBS Automated Case sampling System. A sampling system makes data collection easier because complete records need not be maintained for the entire caseload. However, we expect only a few States to have a fully automated system operational by the October 1991 target date.

We recognized these difficulties early on and have made one of our major JOBS TA efforts the provision of assistance to States in the design of computer systems. A

handful of relatively advanced State automated data systems form the basis for a model design which we will distribute to States later this month.

Overall, we are trying to balance the early difficulties that many States are experiencing with the need to meet the statutory data requirements, and I believe we are making progress. We are making every effort to ease the growing pains that inevitably accompany a new program of this magnitude and complexity. At the same time, we are careful to ensure that any policy modifications made in the interest of State flexibility do not undermine the intent of the statute and the goal of JOBS. In fact, perhaps we should regard a certain degree of administrative discomfort and altered procedures as a signal that "something is happening".

I say this by way of leading into what is clearly a difficult implementation issue, and at the same time one which is essential to the success of the program—the JOBS participation requirements. As you know, the Family Support Act includes mandatory participation rates for JOBS which increase from 7 percent in 1991 to 20 percent in 1995. Congress provided that nominal participation through registration alone would be insufficient and directed the Secretary to establish standards of participation through regulation. We believe that these requirements will help the JOBS program to bring about a meaningful change in the welfare system as a whole.

In our proposed rule published in April 1989, we set a weekly participation rate of 20 hours per participant—the equivalent of half-time employment. In response to comments that our proposed rule would exclude too many individuals who might be participating at slightly fewer than twenty hours, the final JOBS rule changed the basis upon which the rate could be calculated—from requiring a minimum of 20 hours of weekly participation, to that of allowing averaging and balancing of hours of assigned activity. Simply put, an individual in 30 hours of scheduled weekly activity can now be balanced against an individual in 10 hours of scheduled weekly activity.

Since publication of the final rule we have made additional modifications that provide a certain amount of flexibility for initial intermittent activities and participation that begins in the middle of the month. Another adjustment will allow hours spent in unsubsidized employment to be counted in the participation rate calculation to the degree that same individual is also participating in a JOBS component. As an example, if an individual were to work for twelve hours weekly and attend school as an approved JOBS activity for ten hours weekly, ten of the twelve work hours would count toward participation—resulting in a total of twenty weekly participation hours. This provision helps States to meet participation requirements by encouraging employment and is consistent with the goal of JOBS.

We believe that both the intensity of the program activity and the amount of time an individual spends in such activities help to make the JOBS experience potentially "life changing" for participants and enhance the likelihood that their life prospects will be improved. Therefore we believe that participation standards will serve a valuable purpose within JOBS.

As I'm sure you have heard, States are reporting some difficulties with the 20 hour rule. However, most States have reported that they have met the seven percent requirement for 1991. Other States are increasing their level of JOBS activity and can be expected to meet the participation rates in the near future. For the remaining States, it is too early to tell from their own reporting whether they will meet the participation rate.

At this point we don't have enough information to say whether participation rates are actually pushing the program in any particular direction other than to acknowledge that a number of States have had to increase the level of JOBS related activity for mandatory JOBS participants. In that sense, it could be argued that participation rates are pushing us in the direction that the Family Support Act intended.

Some of the other areas you requested specific comment on in your invitation letter are also difficult to address. One area of concern for all of us is the impact of the recent growth in the AFDC caseload on JOBS. As you know, similar growth is occurring in the Food stamp program and in Medicaid, where eligibility liberalizations have had some effect. while there is no indication that the JOBS program has contributed to such increases, the increases will surely affect JOBS. With more potential participants, States will face allocation decisions. State fiscal problems and economic downturn will no doubt compound these problems. Fortunately, it appears that most States recognize the importance of JOBS and are doing their best to protect it from cutbacks. We initially estimated that States would use approximately $725 million this year, the first year of JOBS program operation. Recent estimates are around $675 million, very near to our initial estimate.

Some States have voiced concern that in their economic condition there may be few jobs available for JOBS participants. Such harsh economic reality can affect even the best of our program efforts. But, the goal of JOBS is to help participants become employment ready so that when a job becomes available, the participant is ready, qualified, and able to take it.

You also requested information on the AFDC-UP program. All States now have unemployed Parent (UP) programs in operation. Twenty-four States implemented AFDC-UP on October 1, 1990. Thirteen States have elected to time limit their programs, and three States have chosen the option to provide payment after the performance of assigned activities.

The most recent data we have indicate that there were nearly 29,000 UP cases in April for States that began their UP program this fiscal year. It is too early to draw many conclusions from the implementation of the UP program, but we are beginning work on the UP study mandated by the Family Support Act. The General accounting Office (GAO) is also conducting a study and we will be meeting with them shortly to coordinate our efforts.

One of the important supportive services brought about by the Family Support Act is Transitional Child Care (TCC) benefits. TCC was designed to ease the transition from welfare to work by subsidizing child care expenses for individuals who leave the AFDC rolls due to employment.

These transitional benefits have been available in all States since April 1, 1990. Some people have expressed concern that the TCC benefit is currently underutilized. However, it is too early to tell if the program is actually underutilized or whether our figures on TCC reflect normal start up or reporting difficulties.

We are working with States to both verify their reporting procedures, and to ensure that they provide potential recipients with information about and access to benefits. In fact, our regulations are designed to ensure that States make these benefits available to eligible families. States are required to notify all families of their potential eligibility for TCC at the time they become ineligible for AFDC. Although, families must request TCC assistance, States are allowed to have very simple request procedures.

In summary—a firm foundation for JOBS is nearing completion. Many start-up issues have been resolved and we are working diligently to ensure that other issues are dealt with as they arise. As JOB matures and evolves in the States, we will have a better understanding of participation rate and data collection problems. The best thing you could give the JOBS program now is time. Time to sort itself out and achieve some period of stability. Time to work out the coordination start up problems. Time to gather data appropriate for a thorough evaluation.

During my confirmation hearing, you challenged me to make sure people realized that "something happened" when the Family Support Act became law. since that time I have worked to communicate to States the philosophy, the provisions, and the requirements of the act. And, something is happening. States are responding. Although we occasionally disagree on the fine points there remains a broad consensus that we are moving in the right direction. We are making progress. In fact, I believe we are well on the way toward achieving a successful outcome. It is my hope that Congress, State legislators and the American public have the patience and the vision to allow the implementation process to proceed as designed.

PREPARED STATEMENT OF SABRA C. BURDICK

I am Sabra Burdick, Director of the Bureau of Income Maintenance within Maine's Department of Human Services. The Department of Human Services is the State IV-A Agency.

Thank you for inviting me here today to discuss the Family Support Act, specifically the JOBS program. It is an honor to be here and an honor to represent Maine.

As you know, the Family Support Act is one of the most important pieces of welfare legislation ever enacted.

It institutionalizes the concept that AFDC is not a means of support in and of itself. Rather, AFDC serves as a bridge to self-sufficiency, a bridge that families must cross with the help of support from absent parents and from JOBS services and training that can lead to employment.

Maine supports these efforts. We applaud Senator Moynihan and the acts' other sponsors, this Committee, and the Congress for the foresight and initiative inherent in this legislation.

The Act requires coordination and cooperation at all levels both public and private. Certainly there must be a partnership between the Federal and State govern-

ments. Partnerships are only as good as the people who carry them out. Sue Davenport, Regional Health and Human Services Director, and Hugh Galligan, Acting Regional Administrator of the Administration for Children and Families, have ensured a respectful and cooperative relationship during my time as Bureau Director. The way they have conducted the business of the Federal government has been especially important during what have become catastrophic economic times for the Northeast. Their willingness to advise and help, not to mention their clear articulation of what the Federal government will and will not allow, has been invaluable as Maine has sought to maintain quality health and human services in the face of enormous budgetary problems.

The partnership at other levels is also working. Although there have been long and serious discussions within our State about the extent of authority and responsibility each partner should have, we have now concurred that there can be only one administrative authority—the IV-A Agency—but shared interest and responsibility for services among many agencies, including the Departments of Education and Labor.

Maine's WIN-DEMO started in 1982 and was a precursor to Maine's own welfare reform package, ASPIRE, which was initiated in 1988 under the leadership of Governor McKernan. In addition, an 1115 case management demo for teen parents on AFDC has been in operation since 1983. Taken together, these programs prepared us well for JOBS implementation on October 1, 1990.

I know that the Committee is particularly interested in four areas and, although we did not officially implement JOBS until 9 months ago, ASPIRE was so similar to JOBS that I believe I can speak to those areas of concern with 2½ years of experience.

Although we appreciate the influx of Federal funds and the commitment of the Federal government, reporting requirements of the JOBS program have had a serious impact on our operations. We continue to experience difficulty in meeting reporting requirements primarily because the current status of our information systems does not allow us to provide information electronically. Current budget constraints are limiting our ability to upgrade at as rapid a rate as we had planned.

Maine has operated an Unemployed Parent Program since the early 1980's. It is a program that causes some of the greatest concern among our staff and from the public and could benefit from change. Unfortunately, the Family Support Act limits our ability to change the program since it prohibits States which had an Unemployed Parent Program in place in September, 1988 from altering it. Meanwhile, States implementing a program now have greater flexibility. We recommend that all States should have the same flexibility.

As regards the UP program and JOBS, we are concerned that the statutory restrictions placed on component participation will inhibit our effectiveness. For example, job search and literacy training do not count as participation. Yet we feel that both components are integral to successful job placement.

As the nature of employment in Maine changes, many of our Unemployed Parent's are being displaced from low skilled manufacturing jobs where literacy was not a primary requirement. Our Unemployed Parents do not need work experience as defined in the statute, they do need an upgrading of skills to successfully compete in the changing labor market.

Like some other States, Maine has experienced lower than anticipated usage of transitional child care. We have found that our clients make better use of transitional transportation.

Unfortunately, with the exception of 90 days for JOBS participants only, transitional transportation is not Federally matched. Many of the Federal representatives and Congressional staff members could bear witness to the fact that Maine has repeatedly requested that transitional transportation be matched for all former AFDC recipients who qualify. For rural States it is as much a need as child care.

Yet both these benefits are underutilized. Certainly some of this can be traced to the recession itself and the fact that we are placing fewer people than anticipated.

Unfortunately, we do not have empirical data from which to determine why usage is low. We do hear from some of our clients and from case managers that clients may tend to shy away from continued involvement with the "system" once they are well on the road to self-sufficiency. We also find, however, that only about 1/3 of our working clients use the child care disregard. This may mean that most of our working clients have older children and less need for child care.

By far the most difficult part of implementation has been the allowance of retroactive coverage. Although future budgeting may be made easier by trends and patterns, the first year has been very difficult. And, if States budget based on the first

year's experience and receive retroactive requests, end of the year budget problems could exist.

Participation rate requirements are not currently a problem. But by 1994, when they reach 15% for the general population and 40% for the Unemployed Parents, we will face serious problems. The 1994 rates will cause us to alter our program design. We will lose our flexibility and our ability to individualize services.

We will have to run a program that is aimed toward those who can get by with only a little help and exit quickly. Unfortunately, those clients with multiple barriers will not be able to be served and the purpose of the Family Support Act will be undermined.

By 1997 and 1998, the 75% Unemployed Parent participation rate will simply be unobtainable.

Finally, I know you are interested in how the current recession has impacted on the JOBS program.

Our AFDC caseload has increased 20% in the last two years. We have carried an 11% staff vacancy rate in the eligibility programs and similar vacancy rates in JOBS case management.

Good choices for reducing human services are few. And in order to assure that we did not cut cash benefits below an acceptable level of decency, the JOBS program took a larger percentage share of reductions. Cash benefits are being reduced a half of one percent; JOBS was cut by 40%.

Given participation rate requirements, a population eager to enroll, and a commitment to the best possible program—we indeed face a challenge. We are still in the process of measuring the impact but we believe the negative effects will be mitigated by several factors:

1. We have kept our program for teen parents fully funded. The Family Services Program which began as an 1115 Waiver has proven successful in preventing repeat, unwanted pregnancies and engaging teen parents in completion of high school or its equivalent. We hope to expand this program to provide services to non-parenting teens. Preventing these kids from long-term dependency is the key to our success and the success of JOBS.

2. The development of memoranda of understanding between our agency and other State agencies will allow us to use previously unmatched State funds to make up for some reductions. We have already entered into such agreements with Displaced Homemakers and local adult education agencies. We are exploring agreements with the Technical College system.

3. We have developed several agreements with Head Start agencies in order to provide extended day child care. Not only do we benefit financially from sharing this cost, but our clients benefit from the excellent array of services provided by Head Start.

4. The proposed budget for '92-'93 contains statutory language that limits some client services.

Even with these changes and our ability to access new services, we anticipate serving 25% fewer clients than planned.

In closing, Maine is fortunate to have had many years of experience with welfare-to-work programs starting with our WIN-DEMO in 1983, continuing with ASPIRE in 1988 and culminating with JOBS in 1990. This experience gave us an opportunity to try many different approaches and we think that opportunity is what has allowed us to respond as quickly as we have to both the change in Federal regulations and the downturn in our economy. We urge you to be patient with States which have less experience. Millions of AFDC families are counting on the success of this program.

PREPARED STATEMENT OF JUDITH GUERON

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC). I appreciate the opportunity to appear before this Committee today to outline what we have learned and expect to learn over the next few years about the Job Opportunities and Basic Skills Training (JOBS) Program created by the Family Support Act of 1988 (FSA).

I would like to begin by noting how much interest there is in the JOBS program, even in this time of economic pressure and uncertainty for government initiatives. The eagerness to make welfare reform work that was evident three years ago can still be felt in welfare offices and job training centers around the country. This is despite bad budget news in the state capitals and increasing numbers of applicants for assistance programs that are financed partly by state and local taxes. As I talk to people who are running JOBS programs and providing JOBS services, I hear that they want to succeed.

This enthusiasm can be traced in part to the diversity of solutions encouraged by the JOBS design. People with very different ideas about the causes of poverty and welfare dependence – and very different ideas about the appropriate mix of opportunity and obligation in a reformed welfare system – can find reasons to hope that JOBS will make a difference. A resurgence of interest in the living conditions and achievement of American children may also account for the broad appeal of the program. JOBS addresses one piece of the child poverty puzzle: unemployment among low-income parents.

As you know very well, however, enacting legislation is only the beginning of the process that leads to effective programs. JOBS has reached a vulnerable stage of early implementation. The initial high expectations for the program, naturally, have not yet been matched by performance, and solid information about what is going on is scarce. For several reasons, continued support for JOBS is particularly important now. First, state and local decisionmakers are grappling with difficult choices about financing. Second, new features of the program are being refined. Third, an evaluation is under way that will answer critical questions about the results of major JOBS interventions.

When the FSA was being drafted and debated, there was a substantial amount of evidence from research to help inform some of the policy choices. Most important, there were clear indications that employment programs for recipients of Aid to Families with Dependent Children (AFDC) returned taxpayers' investments, usually very quickly and sometimes more than threefold. The authors of the FSA recognized, however, that further studies would be needed to gauge the effectiveness of this innovative new program. Thus, they built an evaluation into the legislation. We are pleased to be conducting that study, under the direction of the Department of Health and Human Services, with support from the Department of Education.

Today, I hope to underscore the importance of this evaluation by describing briefly what was known about similar programs when JOBS started and what is new about JOBS that calls for new knowledge. Before turning to the evaluation itself, I will also offer a few observations about how JOBS is evolving across the country.

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My remarks this morning elaborate on three main points:

1. Because we are starting the JOBS evaluation having already learned a great deal about certain approaches to increasing employment among welfare recipients, new research should be designed to expand our knowledge. Consistent with the thrust of JOBS, the evaluation will concentrate on (a) understanding the payoff of education for welfare recipients; (b) determining whether "human capital development" approaches, including those that emphasize education and skills training, produce larger impacts than "labor force attachment" approaches that emphasize immediate employment; and (c) measuring how well various JOBS approaches work for groups of special interest – teenage mothers, mothers with young children, fathers in two-parent families, and long-term welfare recipients.

2. The previous research on welfare-to-work programs paints a multi-dimensional picture of their effects. To judge the results of JOBS, it is important to ask how well it succeeds in terms of diverse potential program goals – goals such as moving welfare recipients into the labor force quickly, increasing the amount they are able to earn in the long run, getting long-term welfare recipients into jobs and off welfare, cutting welfare expenditures and reducing welfare caseloads, or helping families move out of poverty. The evidence to date indicates that not all of these can be achieved through the same program approach, suggesting that there may be trade-offs in JOBS. To draw a complete picture of how JOBS measures up against its many possible goals, the evaluation will analyze a wide range of program effects, including effects on children in welfare families, over a five-year period.

3. Economic conditions may shape and reshape JOBS, and thus affect the evaluation results. JOBS encourages states both to serve more people than did its predecessor (the Work Incentive or WIN program), covering more of the caseload, and to provide more intensive or longer-term services, especially education. During the year and a half following enactment, the states appear to have responded more strongly to incentives for intensity than to those aimed at broadened coverage. They planned and built programs that emphasized investments in human capital. They also gave priority to the target groups identified in the FSA, and they added capacity for case management and client assessment. Recently, however, the declines in state revenues and increases in AFDC caseloads may have reversed this trend: States may now be spreading program resources thinner – to cover more people – and stressing immediate job placements. If we are to learn the program's full potential, it will be important to help states preserve the tests of intensive program approaches when JOBS comes under acute fiscal pressure.

The JOBS Program Vision: Touchstone for the Evaluation

When the results of JOBS are in, the research findings should answer questions about the extent to which JOBS achieved its purposes, and those purposes should be recognizable to policymakers. The vision of welfare reform that we see reflected in the FSA is of a "social contract" between poor parents and government, in which each party has responsibilities. Parents – both mothers and fathers – have the responsibility to contribute to the support of their children to the best of their abilities and to engage in activities designed to improve their self-sufficiency. The responsibilities of government are to provide the means for poor parents to become self-sufficient – such as employment services and supports – and to provide income when their best efforts fall short. The JOBS program is the vehicle Congress has crafted to convey low-income parents toward self-sufficiency.

Realizing this vision in actual JOBS programs across the country is not a straightforward process, however. Title II of the FSA, which created the JOBS program, does not contain an exact recipe for increasing self-support among welfare recipients. Nor does it prescribe in detail what services states must provide to which welfare recipients. Instead, it outlines program components and sets minimum standards for certain activities while circumscribing others. It also offers financial incentives to states, which are tied to levels of program participation and to spending on designated priority groups within the welfare population. It leaves to states many of the decisions about how large and costly JOBS programs will be, what services will be provided to whom, and whether participation by targeted groups will be mandatory or voluntary. In short, the JOBS provisions of the law recognize state diversity – in goals for welfare reform, financial capability, and preexisting programs – and creates an overarching program structure that can house many different JOBS programs.

At the same time, however, there are fundamental values embedded in the details of the law. JOBS strikes a new balance between opportunities for welfare recipients and their obligations to engage in productive activities. Moreover, it shifts welfare reform policy toward investments in improving the skills – or "human capital" – of disadvantaged individuals through education and training and places less emphasis than there has been in the recent past on "labor force attachment" – helping welfare recipients find jobs as quickly as possible. We see this shift in provisions of the law that mandate basic skills education and vocational skills training components in state programs, leaving job search assistance and unpaid work experience – the core services of welfare-to-work programs before JOBS – as options. It seems, at bottom, that the law was crafted to stimulate "serious" programs that offer more, require more, and – it is hoped – make more of a difference.

The Knowledge Base for JOBS: Firm Answers and New Questions

Rigorous evaluations of WIN and WIN Demonstration programs showed that these large-scale welfare-to-work programs were feasible, got people working, and produced sustained increases in the average earnings of those required to participate. Most of the programs studied also led to reductions in average welfare payments, and some led to declines in the number of people on welfare. Solid information was also acquired about who participated in these programs, for how long, and at what cost. This was an unusual knowledge threshold to have crossed before writing a new program into law.

However, JOBS intentionally departs from the past. The research showed that previous welfare-to-work programs had crucial limits, and JOBS was meant to extend them. For example, the prevalent program models of the 1980s – which provided job search assistance and unpaid work experience, often sequentially and on a mandatory basis, and which usually targeted single mothers on AFDC who had school-age children – produced gains that were relatively modest. Enough people went to work so that their reduced welfare grants and increased tax payments usually exceeded the relatively low cost of the services. On average, however, people got relatively low-paying jobs with earnings that did not boost their families out of poverty. By emphasizing education and vocational skills training, JOBS aims for larger impacts.

Furthermore, while the programs studied during the 1980s were effective for a large group of moderately disadvantaged single mothers, they usually did not benefit long-term recipients, a key target group in JOBS. An exception was the San Diego Saturation Work Initiative Model (SWIM) program, which had a mix of services more like JOBS and strong enforcement of a participation mandate. SWIM had substantial positive impacts on the more disadvantaged two-thirds of the SWIM caseload, for whom earnings were increased by $889 a year (50 percent) and welfare payments were reduced by $608 a year (13 percent). These findings, combined with compelling evidence that welfare spending is concentrated on the small percentage of people who stay on the rolls for many years, also point to the potential importance of the more powerful models and targeting policies emphasized in JOBS.

The findings of strong achievements and critical limitations suggest that different program approaches may do better at maximizing different program goals. The low-cost, "labor force attachment" approach, with its emphasis on job search, succeeds at what it sets out to do – getting some people quickly into jobs and off welfare. Administrators focused on welfare savings may favor that approach, but they should be aware that they are not likely to succeed with long-term recipients or get people into higher-paying jobs. There are no completed, comparably rigorous studies of "human capital development" programs, but earlier demonstrations of other intensive, subsidized employment programs (on-the-job training and Supported Work) suggest that those approaches were successful in getting people somewhat higher-paying jobs. In the case of Supported Work, long-term recipients benefited as well. Administrators focused on these objectives anticipate that JOBS' education and training components could lead to similar or stronger effects. They should recognize, however, that the more intensive and expensive approaches evaluated thus far proved less cost-effective, measured in terms of welfare savings per dollar spent on the program.

Two 1980s programs, among those for which there are completed evaluations, most resembled what states are attempting under JOBS. The findings from these two evaluations point to the potential for meeting diverse objectives. San Diego's SWIM program suggests that strategies combining the opportunity and obligation aspects of JOBS can achieve welfare savings, earnings gains, and improvements for more disadvantaged people. SWIM, with its marriage of job search and education and training, and its success in reaching a high proportion of the caseload, led to substantial impacts in all three areas. Baltimore's Options program showed that providing clients with a choice of services that includes education and training can result in somewhat better jobs and relatively large earnings gains.

There are other important objectives of JOBS for which the knowledge of the past offers less guidance. For example, JOBS strives to prevent dependence by including a school requirement for teenage mothers on AFDC, a group at high risk of long welfare receipt. With the same purpose, the program also targets mothers with young children who were exempt from participation requirements under WIN. FSA adds transitional child care and health insurance benefits for those who find jobs, in response to concerns about whether work is rewarding enough to induce poor, single mothers to leave welfare.

In all, the differences between WIN and JOBS are extensive. They include the many new dimensions of the compact between the federal government and the states to fund, operate, and oversee JOBS, such as performance standards tied to the rate of federal financial participation in state JOBS programs. While JOBS is not entirely unlike its predecessor programs, its new features change the appearance of familiar welfare-to-work models in both dramatic and subtle ways. To the extent that program operations across the country reflect these new features, knowledge based on WIN and WIN Demonstration programs will be less useful for predicting how well and for whom different JOBS approaches work.

JOBS Implementation at the Two-Year Mark

Almost exactly two years ago, the first states converted their WIN and WIN Demonstration programs and began operating under the JOBS rules. A primary topic for these oversight hearings is what has happened since then: Is the program being operated across the country the JOBS envisioned by the authors of the Family Support Act? MDRC's knowledge of JOBS implementation derives partly from our ongoing research and technical assistance projects, but mainly from the extensive contact our staff has had with states interested in participating in the evaluation of JOBS approaches. Twenty-two states applied for consideration as evaluation sites, and we have held in-depth discussions with twenty during the last year and a half, usually during visits to their programs.

We have seen several developments and a changing landscape of JOBS implementation. The initial period was characterized by expansion, enthusiasm, high expectations, and substantial innovation. As I noted earlier, choices were made in 1989 and 1990 that were consistent with the human capital investment and opportunity refrains of JOBS. In their early plans for JOBS,

states moved away from labor force attachment approaches. The staff of welfare-to-work programs generally were eager for the chance to try human capital investment approaches. This meant that up-front job search models were modified and that programs placed greater reliance on client assessments. By and large, services were determined by a combination of client choice and case manager guidance. Accompanying this shift, states placed less emphasis on getting people immediately into jobs and more on assuring their participation in education and training services designed to increase their longer-term earnings potential. In these ways, the opportunity side of JOBS seemed to take precedence over the obligation side, with more emphasis on providing intensive services than on mandating participation.

States also shifted away from the broad coverage of the population mandated to participate that had characterized some WIN programs prior to JOBS. They gave priority to people in the JOBS target groups, and to providing them with more intensive services. In the initial period of JOBS expansion, however, there was limited response to the new JOBS provision that enables states to involve teen parents who have not completed high school. An exception is Ohio's Learning, Earning, and Parenting (LEAP) program for pregnant teenagers and teenage custodial parents receiving AFDC. LEAP has a unique structure of financial incentives, which is intended to encourage regular school attendance. Grants are reduced if a teen fails to attend school regularly and are supplemented with a bonus if she (or, in a very few cases, he) meets the attendance standard. Encouraging lessons for other states are emerging from LEAP's attempt to link the welfare system and the public schools to prevent disadvantaged young parents from dropping out.

Most of the actual education and training services included in JOBS in the early stage were by arrangement between the welfare/JOBS administrative agency and outside systems, including programs funded through the Job Training Partnership Act (JTPA) and various adult education systems. The welfare/JOBS administrative agencies generally retained responsibility for identifying eligible individuals and those targeted for JOBS services, and they began expanding their capacity to assess clients' service needs, track their program participation, and arrange supportive services. State and local program staff paid a great deal of attention to:

1. Deciding who should be served.

2. Putting referral systems in place so that participants would get from the welfare/JOBS agency to an education or training or other program provided by another agency.

3. Designing JOBS management information systems to keep track of and count participants.

One of the interesting developments that state and local program staff began to note during this time was an increase in welfare recipients volunteering for the program. People came forward who would normally be exempted because they had very young children or who would be required to participate at some time in the future but had not yet been contacted. Some were responding to new messages about opportunity; others had their own education or training plans and wanted to take advantage of supportive services offered through JOBS.

Recently, the theme of JOBS has been a "revisiting" of decisions made in the initial expansion phase. We have heard much more from states about the need to move people rapidly off the rolls and into jobs. The motivation to make quick job placements comes from the squeeze that state budgets are experiencing. As you well know, state human service agencies are caught between two trends. On one side, weak economic conditions are leading to layoffs, cutting the flow of tax revenues to state treasuries, and increasing the number of applicants for cash assistance, including AFDC. On the other side, there are demands for higher social welfare spending. As a result, the JOBS program is often in competition with Medicaid budgets and expenditures for other Family Support Act items such as transitional benefits.

In addition, state officials are beginning to be concerned about their ability to meet participation standards for the program. It is not obvious, given the extremely complicated formula for calculating a state's participation rate, what are the best strategies for meeting the standard, or the most effective day-to-day management practices. It is also not clear that states yet have the capacity to collect the detailed information about JOBS clients needed to determine how many can be counted toward a state's participation goal. But it is certain that this issue is absorbing enormous energy, with some positive effects (in terms of tighter management and review of service providers) but others that may be distorting program approaches and distracting people throughout the welfare, education, and job training systems from the larger purposes of JOBS.

What decisions are being made in JOBS to deal with these pressures? The results are not in yet from this year's state budgetmaking. JOBS seems to be holding its own in many states in fiscal trouble, which is a testament to the popularity of the underlying ideas about opportunity and obligation as well as to the flexible structure that allows states to design programs that fit *their* goals. But expansion is not continuing in many states; in others there are actual cutbacks; and few states were spending enough to draw down the full federal matching funds before budget problems hit full force. Thus, JOBS may not reach its potential as soon as many initially expected.

In terms of the key features of programs, states are responding to changes in the funding picture in a number of ways: by restricting eligibility for JOBS (e.g., to the JOBS target groups); by limiting participation mandates to certain activities (e.g., orientation and assessment) or certain groups; by shifting away from education and training as primary service activities toward job search assistance and unpaid work experience; and by cutting back on contact between staff and clients and allowing increases in the size of the caseloads that staff are assigned.

The JOBS Evaluation: Goals and Methods

The prominence that states give to different services in JOBS is not yet fixed. Nor is the priority they give to different groups within the expanded population eligible for the program. These are certain to vary across the states. Nevertheless, JOBS has shifted the search for solutions to welfare dependence to new ground and raised important new questions, such as:

- Does education provided through JOBS succeed in improving the basic skills of those who participate?
- Do educational gains translate into substantially higher-paying jobs?
- Will greater investments in education and training increase the program's success with (potential) long-term recipients?
- Do human capital investment approaches, including education and job training, work *better* than labor force attachment approaches in leading to higher-wage jobs, substantially more income, and greater long-term self-sufficiency? Are they more or less cost-effective?
- What JOBS approaches are effective for different groups of welfare recipients?

We begin the JOBS evaluation with some unusually reliable findings about welfare-to-work programs. Labor force attachment approaches, for example, have been carefully tested,

and the answers are convincing and clear. But there is much greater uncertainty about human capital investment approaches, for which there is no similar research record. The JOBS evaluation places particular emphasis on credibly comparing the two in order to resolve the central issue debated about JOBS – whether investing in education, training, and other skill-building services for welfare recipients will lead to more positive results, in terms of improvements in job quality, reductions in poverty, and success with long-term recipients.

Thus, a cornerstone of the evaluation is a set of tests that compare two program approaches for the same population, alongside a control group, in the same location. Called "differential impact evaluation designs," such tests have begun on a pilot basis in Fulton County, Georgia (the Atlanta area), Riverside County, California, and Kent County, Michigan (the Grand Rapids area). In each of these locations, an education-and-training-oriented program and a program emphasizing labor force attachment and starting with job search assistance are running side-by-side. A similar comparative evaluation – but of two types of case management in JOBS – is being explored for a site in Ohio. Two other sites have been selected thus far: Wayne County, Michigan (the Detroit area), and the Oklahoma City area. In each of these locations, the study will measure the effects of a single program approach.

Many features of the JOBS evaluation follow from this emphasis on comparing program approaches. For example, the design calls for a long period of follow-up (five years) because the returns on investments in human capital are expected to take longer than those from labor force attachment approaches. Also, the study will measure a wider range of impacts than those measured in earlier, comparable evaluations in order to capture the many ways in which JOBS could change the lives of welfare families. Thus, the study will assess the impacts of different program approaches on the quality of jobs people take, on their literacy, on poverty rates, and on the cognitive, behavioral, and social development of the children in welfare families.

Over the coming years, the JOBS evaluation will provide important information about the critical open questions on the effectiveness of different program approaches. Ongoing evaluations in other states – particularly California, Ohio, and Florida – will also make major contributions to what will be known about education-oriented programs, programs mandating school attendance of teenage mothers, and labor force attachment models for women with young children.

Conclusion

A central question about JOBS at this early point, if we interpret correctly the intent of this Committee and the members of Congress who crafted and voted for the Family Support Act, is: "Are states running serious programs?" We think the answer is "Yes." There was an impressive commitment to WIN Demonstrations by the states before JOBS, and even with the changes in state executives and legislatures in the last three years, it is clear that moving welfare recipients into the workforce is on the states' agendas.

In response to another question we anticipate – "Is JOBS in trouble?" – I would say, "No, but . . . ." There is some danger that JOBS programs will be overwhelmed by a combination of economic pressures and accounting requirements before they can be adequately tested. All of us interested in welfare reform have a stake in helping states figure out how to keep it alive and avoid reverting to the more anemic version of WIN that JOBS was meant to replace. I was reminded recently that the Head Start program, now popular and almost universally defended as effective, survived some rough early years until positive long-term evaluation results stimulated interest and support. While we cannot predict the results of the JOBS evaluation, the program's goals are sufficiently important to merit our best efforts.

Prepared Statement of Linda Harris

Good afternoon, my name is Linda Harris, Director of the Office of Employment Development and with me today is Shirley Marcus, Director of the Baltimore City Department of Social Services and, on behalf of Mayor Kurt Schmoke, we express appreciation to Senator Moynihan and Members of the Subcommittee for this opportunity to testify.

As you may know, a top priority of Mayor Schmoke's administration is an increased commitment to education and in programs that invest in people. You should know that he is keenly aware of the challenges facing the local JOBS program and appreciates the chance for us to express Baltimore City's concerns and ideas regarding this issue. Ms. Marcus and I have the joint responsibility for implementing the JOBS program in Baltimore and hope that our experience will be helpful to you.

We are very fortunate that the State of Maryland was very progressive in its approach to the implementation of the JOBS legislation. At the behest of Governor Schaefer, an interdisciplinary policy board was formed by the Governor's Employment and Training Council to provide guidance on the implementation. The State Department of Human Resources and the State Department of Economic and Employment Development concurred that the JOBS program should build upon the existing Job Training Partnership Act infrastructure subject to a collaborative local planning process. The Private Industry Councils were asked to facilitate the local planning process. In Maryland and in Baltimore, the initiative is called "Project Independence".

Locally, we hailed the change in federal philosophy that was articulated in the legislation believing, in fact, that this was the opportunity to implement a local strategy that fostered and supported the movement of welfare recipients into the labor market mainstream.

Our planning process was inclusive - we had employers, welfare clients, advocates, JTPA staff, school administrators, welfare staff, legislators and public officials - all bought into this new way of doing business on behalf of welfare clients.

We believe that the program that we put in place in Baltimore is one of the most progressive in the country. We took very seriously the intent of the legislation in implementing our "welfare to work" strategy.

Creation of the new "welfare to work" delivery system necessitated substantial structural changes in the way the Department of Social Services, the JTPA system and the school system were organized to assist welfare clients make the transition. New job specifications were created. The staff across agencies were cross-trained. New procedures were put into place and computer-interfaces were designed to allow case managers to communicate electronically across agencies regarding the plans, progress, status and barriers of each participant.

The staff, in all the delivery systems, were highly energized and excited about the new approach to supporting self-sufficiency as opposed to income maintenance.

The City of Baltimore took a comprehensive approach to achieve the federal legislative objectives and we are enormously proud to have shaped a program that genuinely works. Key features of the Project Independence system include its

1) Design to accommodate 600 new welfare clients every month with mandatory participation;

2) Targeting at the hardest to serve -- 70% of the participants were in the at risk target groups - teen parents, long-term welfare, drop-out (over 50% of the participants are high school drop-outs with low literacy levels)

3) Supportive case management structure -- The intensive case manager within the Department of Social Services works together with an Employment Specialist in the JTPA system to motivate and counsel the clients, to address the barriers, to manage progress through an employment plan and, if necessary to sanction.

4) Broad array of employment and training options each incorporates counseling support and motivational training: job search workshops, work experience, remedial education, on-the-job training, classroom skills training (over 25 different occupational areas) and post-secondary education matriculation;

5) 15 community based computer-assisted literacy labs in schools, libraries and community centers were established in particular to address the needs of below 5th grade readers. Over 500 new literacy slots have been created;

6) Transitional Learning Center in public schools was specifically designed to ease the transition of teens back to school; and

7) Special alternatives were structured within the school system to accommodate the return to school of custodial parents under the age of 20.

In its first year of operation, Baltimore City's Project Independence program had assisted 1,789 clients in finding unsubsidized employment at a wage rate of $5.25 per hour. Seventy-five percent of those jobs included health benefits. A six-month follow up of a representative sample indicated that 65% were still employed. All were very enthusiastic about their participation.

We have provided the key elements of our program because it is against this background that one can understand the magnitude of the negative impact that is created by the rising participation rate requirements, coupled with the rise in welfare caseloads and the bleak fiscal outlook. We are deeply concerned as we look toward future demands and diminishing resources that the City of Baltimore may be forced to recast its innovative programs into a more superficial and substantially less effective approach.

As the Committee is well aware, the statute mandates escalating participation levels from 7% in 1991 and rising to 20% by 1995. The mandated participation levels nearly triple over this four year period, while the funding increases by only 25%. Beginning October, 1991, Baltimore City is expected to increase its monthly participation level from 1,500 to 2,300 clients a month and do so with $2 million less in combined federal and state funding. To reach this level of participation, given the complexity of the calculation methodology and the clients' attendance rates (which have been good), we will need to keep at least 3,000 individuals monthly engaged in activity averaging 20 hours a week. Given our FY '92 JOBS federal allocation, that provides $225 per client per month, before accounting for administration or support. One-third of that amount will be needed to offset the clients' transportation costs to and from training. We are devoting over 40% of our federal JTPA resources in support of the Project Independence effort. While the State of Maryland did draw-down 95% of the federal match dollars in FY '90, budget pressures precluded the allocation of any additional dollars for next fiscal year when only 82% is being drawn-down. By 1995, the monthly participation level will increase to almost 5,400. Clearly, there are insufficient resources to support the level of participation that is being mandated and maintain any semblance of an investment program.

If we are to reach these numbers, we have no option but to dismantle the system that we developed and put in place in response to the federal legislative initiative. Increased demands, coupled with fewer available dollars, already have forced us to cut the intensive support activities and redirect funding to short-term interventions that will service many more clients. In fact, we already have served notice to our literacy providers, cutting back their services. We have cut back substantially occupational training for welfare clients. We have reduced the case management structure by almost half. We pulled counseling support out of the remaining literacy and work experience programs. We reduced our testing and assessment personnel by half.

Even with these cuts, we remain substantially short of the anticipated and required participation rate. It is painful for us to accept the fact that in order to meet participation rates, we will have to convert our system into one which will serve approximately 10,000 individuals over the course of the year with 70% or more receiving nothing more than a workshop or a work experience. While we recognize that there is a segment of the welfare population that can succeed in transitioning into employment with just a workshop or a work experience, the vast majority cannot.

Finally, we want to bring to the Committee's attention problems related to the attendance tracking and the calculation methodology for the participation rates. We perceive the federal tracking system as not only bureaucratic and complex, but also one which inaccurately reflects actual participation rates, requires huge administrative burdens and costly duplication, and serves as a genuine disincentive to bring individuals into training in the most timely and effective fashion.

Our comments here, are not based on what we fear will happen, but on our experience to-date. Pursuant to the October 1990 instructions by HHS and in keeping with guidance from the State, we implemented an attendance tracking system. Computerized systems have been in place to allow us to track attendance and monitor participation since December, 1990. Baltimore's experience demonstrates:

(1) the participation rate numbers are artifacts of a complicated methodology and in actuality have no relationship to the actual level of clients participating in any given month;

(2) to fully count the hours of participation, programs must begin the first week of a month and end the last week of a month -- Any variation from this decreases the number of individuals that can be counted in a monthly calculation;

(3) after months of experience, we have found that moving people into an activity in the same calendar month as their assessment lowers the participation count;

(4) while the legislation encourages coordinating with other systems in providing education and training, the methodology for attendance tracking is incompatible with most of the existing systems. Thus, unless duplicate attendance tracking mechanisms are put in place, those participants cannot be counted even if there is existing documentation that shows that they are attending and progressing well.

With federal pressure to maximize participation, you will find that program design issues will be decided, not in terms of what is best for the client, but what can be counted. We cite these examples as perceived unintentional consequences of the calculation methodology, in the hope that the regulations and, if necessary, the law can be revisited to create more rational methodologies.

Many of the problems that we have highlighted are built into the legislation. We would encourage making appropriate legislative amendments and urge consideration of the following recommendations:

- Modify the requirement that states reach a 20% monthly participation rate level by 1995. Consider as an alternative requirement, 20% of the annual caseload being served over the course of the year.

- Create a more flexible mechanism for allowing states to draw-down the federal match. Consider a 80-20 (Federal-State) match on funds spent on the target populations.

- Give special weight to the calculation of participation rates for the serving of welfare recipients who are in the groups that are harder to serve. The methodology should lower the required number of participants, recognizing that it will cost more to service them.

- Both the legislation and the regulations have forced the creation of systems that are very process-oriented, paper laden and cumbersome. Based on field experience, the law and the regulations need to be revised to substitute a new vehicle that assures accountability, fosters coordination and lessens the administrative burden.

- Attendance data from existing tracking systems in established schools, colleges and training institutions in the format that it is available should suffice for the purposes of reporting participation.

- The legislation should require that the JOBS program build on the existing employment and training and education infrastructure. We can ill afford to waste the scarce resources by duplicating existing structures.

In cooperation with the State Department of Human Resources and the Department of Economic and Employment Development, the City of Baltimore has tried earnestly to adhere to every regulation and every issuance of guidance from HHS, yet at the same time we are struggling to preserve the integrity of our system which we perceive to be among the most innovative and effective nation-wide. In concluding, as we look to future demands, we perceive it may be extremely difficult to meet participation rates unless there are more available dollars and less bureaucratic requirements imposed in the participation methodology; the City of Baltimore fears it may be forced to dismantle the best of what we have designed in creating a comprehensive effective JOBS program.

We would be pleased to respond to your questions or to clarify further any of the points raised in this testimony. Again, we appreciate the opportunity to appear before you today.

PREPARED STATEMENT OF ANDREW P. HORNSBY, JR.

Mr. Chairman, Committee members, thank you for the opportunity to appear before the Committee today. I am pleased to be able to speak to you about Alabama's experiences in implementing the provisions of the Family Support Act of 1988. want to briefly mention what we have learned in implementing AFDC-UP and in providing transitional benefits, but the bulk of my time will be spent on the JOBS program.

AFDC-UP AND TRANSITIONAL BENEFITS

Alabama experienced no substantial problems in implementing the AFDC-UP requirements, although I must say that those requirements contained eligibility criteria that were administratively difficult and lengthy. Federal reporting requirements that AFDC-UP statistics and expenditure data be reported separately required major programming changes. The administrative burden is mentioned because AFDC-UP presently represents an almost insignificant portion of the AFDC caseload in Alabama—only 112 cases as of May 1991. The work history requirements and low payments result in very few UP families being AFDC eligible in Alabama. The numbers are likely to families represents a profound step forward. We welcome the challenge of putting the available resources to work for the working poor of Alabama.

JOBS—INITIAL IMPLEMENTATION STRATEGY

Alabama is not an affluent State. Despite our favorable match rate it has been difficult to generate the State funds to match the Federal dollars for JOBS. As a matter of fact, Alabama was able to match less that half its Federal allocation in FY 1991 and the prospects for FY 1992 do not appear any better.

We determined early on in Alabama that effective case management and the maximum possible coordination of existing community resources would be critical in developing a successful JOBS program. It was clear that contracting out large sums of money for elaborate training services would seriously restrict the State's ability to provide effective case management services and would also limit the number of counties in which the Program could be implemented.

We wanted to make our initial investment in good staff who would be capable of developing existing resources to the extent possible and would be dedicated to

making the Program a success. We believe this was the best decision we could have made. We implemented JOBS first in counties which wanted the Program. We hired staff who were enthusiastic and committed to the goals of the Program. We laid good groundwork before we implemented in a county. Prior to implementation, at least one person was designated to carry out community resource development activities. That individual contacted every possible resource in the community, talked about the JOBS program, and enlisted support.

In order to cement together the local ownership of JOBS, a task force composed of community leaders, service providers, educators, etc. was established. We were very successful in having services expanded to serve more AFDC recipients. The local JOBS task force is an ongoing feature of each JOBS county.

This emphasis on case management and resource development and coordination fit Alabama's funding picture but it also fit the needs of Alabama's AFDC recipients. With virtually the lowest AFDC benefit in the country ($124 for a family of three), it is understandable that most recipients of AFDC have low educational skills and little or no work experience. Skilled, resourceful, and sympathetic case managers are essential to working with this population.

INVESTMENT IN ADULT EDUCATION

Over 60% of Alabama's adult AFDC recipients have not finished high school.

We believe that the Congress was correct in placing a strong emphasis on basic skills education in the JOBS program. This emphasis is well suited to Alabama's needs and we are working hard to greatly expand the numbers of recipients who attend basic skills education programs.

After determining that Alabama's existing network of Federally supported adult education programs could not accommodate the large numbers of JOBS participants who need such services, we decided to invest some of the limited JOBS funding in specialized JOBS adult education classes. These classes are provided under contract, have a curriculum tailor-made to the needs of JOBS participants, and, as a rule, operate 20 hours per week. Seventeen contracts offering 37 classes are now in place. This decision represents a substantial expansion to a State adult education system that is usually supported by less than $6 million in State and Federal funds.

MEETING THE TWENTY HOUR PARTICIPATION STANDARD

I understand that some States have had difficulty in meeting the 20 hour participation requirement as set forth in the Family Support Act. I have described the strong emphasis on resource development and coordination in Alabama. I have also told you about our investment in adult education services.

Meeting the 20 hour requirement has not been a problem for Alabama. The law requires that the monthly number of JOBS participants be no less than 7% of the number of those required to participate, on a monthly basis. This percentage (7%) is for FY 1990 and FY 1991. The law further stipulates that this performance standard will increase to 11% in FY 1992, 15% in FY 1994, and 20% in FY 1995.

Since implementing JOBS in April 1990, the lowest participation percentage achieved by Alabama has been 18.5%. Calculating performance by the formula laid out in Federal regulations reveals an achievement of 22% for FY 1990 and 27% for the first six months of FY 1991.

At present, Alabama has implemented JOBS in 21 of 67 counties, representing over 62% of the AFDC caseload. Although the remaining counties are predominantly rural, we are optimistic that the achievement of high levels of participation can be maintained as the Program is expanded and can be sustained over time.

I know that the Law requires the development of performance standards that are outcome based and not solely based on levels of participation. A word of caution is in order on this point. JOBS is not a quick-fix strategy. The investment in skills training and supportive services is appropriate and will take time. Moving to performance standards based solely on job placements would undermine the basic skills focus of the act and cause services to be shifted away from the hardest to serve.

In closing, let me commend the Congress for the fine work that was done in designing the JOBS program. It is a good design. It emphasizes the right things in terms of basic skills education and job readiness activities, and provides considerable flexibility to the States.

We must meet the challenge of the 90's by working together to provide the education, the training, the day care, and all the other services that will be needed to make it possible for AFDC recipients to enter the workforce and achieve self-sufficiency. We owe it to these families and especially to these children.

PREPARED STATEMENT OF KATHY LEWIS

My name is Kathy Lewis, and I am in charge of the Greater Avenues for Independence (GAIN) Program in California. GAIN is California's JOBS Program which was implemented in 1986, modified in 1989 to conform to Federal JOBS statutory requirements, and modified again in 1990 to conform to Federal JOBS regulatory requirements.

In order to put my testimony into context I would like to provide you with some brief information on California's program. California, like other States, when given the flexibility to design its welfare-to-work program prior to JOBS, developed a program with a commitment to meaningful components, to providing the most services to those with the most serious skills deficits, and to using existing resources such as the Adult Education system, the Community College system, and the Job Training Partnership Act (JTPA) system.

GAIN is built on the concepts that basic skills upfront are important, that participants should test the labor market before entering training, and that participants who have entered into education and training on their own should be allowed up to two years of GAIN assistance to complete that activity.

Major changes that we have seen as a result of JOBS include: serving parents of younger children (age 3 through 5), giving priority for intake into GAIN to the Federal target group population, serving 16- and 17-year-old teens, and extending our transitional child care from 3 months to 12 months. These changes have not been painless.

Parents of younger children require more expensive child care, and we have seen our child care costs rise significantly. GAIN has always emphasized the mandatory nature of participation, but the Federal requirement to give priority to services to volunteers in the Federal target groups coupled with decreasing money to GAIN counties has resulted in some counties being able to bring only these volunteers into the program.

Finally, setting up and adding services to teens has been rewarding. GAIN was designed as a program for adults, and it has required major adjustments to deal with the unique circumstances of teens and a provider community (high schools) that we have not routinely dealt with before. The timing was right because of the increased awareness both in the education community and in the public of the high school dropout problem and the need to keep teen parents in school. Program expansion has been difficult, however, due to budget cuts. Counties were given eight percent less overall in State fiscal year (SFY) 90-91 than in SFY 89-90. And in SFY 91-92, counties have received additional reductions averaging nine percent.

Under GAIN, we have always placed an emphasis on program accountability. We developed participation standards that would ensure accountability but minimize administrative costs. We require providers to notify the county welfare department any time attendance falls below 90 percent, or if the provider has its own standard, we will allow that standard to be used. When attendance problems are reported, we determine what caused them and proceed to conciliation if there was no good reason. Often it is family illness, transportation breakdowns, or a family crisis, all normal things to expect of a family on Aid to Families with Dependent Children (AFDC). Participants who miss

time in a component due to these problems and then resume participation continue to count as participants. If these problems are severe enough to warrant temporary deferral from the program, then we defer them and don't count them as participants. In addition, we are now replacing local systems with a State-designed system to measure satisfactory progress by participants in both basic education and English-as-a-second-language classes to ensure that if they are not making progress we determine why and solve the problem (either with additional support, conciliation, or an alternative activity).

The Family Support Act was strongly supported by the Governors. It reflected the input of many States who, like California, had made major investments of State money in their programs and who had tested a variety of interventions designed to get welfare recipients employed. Under the Federal sponsorship of the Family Support Act, that State ownership can flourish or perish. It is that serious. We are at a crossroads with respect to the Federal participation rate requirements. The issue is not whether States can reach the standard, the issue is why, what will it cost, and what will it tell you.

When Congress put participation rate requirements into law, it recognized that States had limited resources and could not serve everyone. The Congress also wanted States to target their resources to include the hard-to-serve and not to "cream" the easy-to-serve and easy-to-place. The research told us that the impacts of JOBS would not come from serving the job ready; they would come from serving those who needed increased skills training, self-esteem building, and basic education.

It is clear that the Congress didn't want mass job search programs, programs that are easy to operate on a large scale with little cost. Clearly what was expected was basic skills, job readiness activities, training, work experience, and job seeking activities. We support that approach. The specific design of programs, however, was left to the States, recognizing that they had experience and could best meet local needs with locally designed programs.

The participation rates in law look modest at least in the initial years: 7 percent in Federal fiscal year (FFY) 1991, 11 percent in FFY's 1992 and 1993, 15 percent in FFY 1994, and 20 percent in FFY 1995. And if the Federal Department of Health and Human Services (HHS) had chosen to implement those standards in a straightforward way, measuring participation as it had been measured in the prior research models of the 1970s and 80s, these initial year levels would be reasonable and achievable. Instead, HHS has designed requirements that will waste limited Federal and State resources; cause States to redesign good programs to achieve participation rates with no benefit to participants; direct program dollars from serving participants to administrative dollars serving the Federal bureaucracy; provide error prone data; provide data that is unusable for States wishing to determine how they are doing in serving their AFDC caseload; and look as though States are performing poorly when in fact they are running successful programs.

Let's look at the two elements to the participation requirement as HHS has designed it. In order to be counted for purposes of the Federal participation rates, an individual must have first satisfactorily participated in an activity by attending at least 75 percent of the monthly hours scheduled. Then, as a group, individuals must achieve an average participation of at least 20 hours a week. All hours of scheduled activity will be counted if the individual has satisfactorily participated, that is, attended

at least 75 percent of the time. If an individual has not satisfactorily participated, neither the hours of scheduled activity nor the hours of participation will be counted.

There are serious and fundamental problems with the 75 percent attendance standard and the 20-hour-per-week requirement developed by HHS. I would like to describe in more detail why we believe the HHS approach to the participation rates is a serious, fundamental problem.

1) FEDERAL PARTICIPATION REQUIREMENTS ARE UNREALISTIC AND INCONSISTENT WITH OUR UNDERSTANDING OF THE FAMILY SUPPORT ACT (FSA): Participation is not to be measured at a point in time. For participation to count, it must be scheduled 20 hours per week on average. (Let's set aside what kind of tracking nightmare is required to average hours of participation client by client.) Why 20 hours? This is HHS's litmus test of meaningful participation. What kinds of programs don't count under this system? Two major program components stand out which we believe meet the spirit of the law.

Job Club: Many job clubs in California are set up at 20 hours per week, but the component is a three-week component. It doesn't pass the HHS litmus test because it is only 15 hours per week on a monthly basis. But can we conclude that a component that has to be averaged with one that is longer is not a meaningful component? What if the job club starts in the middle of the month? Then it is only a 10-hour component that must be averaged with a 30-hour-per-week component to get to 20 hours. Is this what Congress intended? The HHS has tried to provide an alternative computation method for short components offered upfront, but it is not viable.

Community College Vocational Education and Training: In the California Community Colleges, an individual carrying 12 units (hours) per week is a full-time student. And, twelve hours of class participation is generally considered full-time in college programs for both State and Federal grant and loan purposes. Yet, this full-time activity with proven successful outcomes doesn't meet the HHS test. In California it is estimated that in SFY 90-91, 30,000 GAIN students were in the Community College system, of whom about 70 percent were in vocational training programs (the remainder in basic skills). If they were all full-time (and we have reason to believe that most were), they wouldn't count as participants unless they could be paired with participants scheduled 28 or more hours per week to meet the 20-hour rule. We cannot believe that these components were intended by Congress not to count on their own as meaningful participation.

Use of the 75 percent measure as part of the participation rate is unnecessary and counterproductive. We all agree participation should not count unless the participant is actually attending. However, the 75 percent attendance standard is an all or nothing rule. For example, if a participant is scheduled for 20 hours in a particular week and attends 15 hours thus meeting the 75 percent rule, he/she is credited with the 20 hours scheduled. If, however, an individual is scheduled for 40 hours a week and attends 29 hours, thus falling below the 75 percent rule, his/her participation counts as zero. Defining actual participation as nonparticipation does not make sense. This is not realistic nor consistent with our reading of the FSA.

2) FEDERAL REQUIREMENTS ARE ARBITRARY AND IN CONFLICT WITH CONGRESSIONAL MANDATE TO MAXIMIZE EXISTING RESOURCES : The Family Support Act requires that Federal funds not supplant existing resources. In California, the GAIN Program was designed to maximize the use of existing resources available from a broad range of adult educational and vocational training services. However, as I mentioned earlier, many of these existing resources do not meet the 20-hour-per-week requirement. HHS has suggested that we set up study halls for our Community College students to meet the 20-hour rule. Does this add to the intensity of our program? No. Does this improve services? No. Does this waste precious dollars simply to meet an arbitrary requirement? Yes. We would have to pay twice--both administrative dollars to monitor study halls and child care dollars for participants who attend them.

In many areas, attempting to increase the hours per week of these services would greatly increase costs and administrative complexity in a system which is already overstressed. Students couldn't be mainstreamed or would have to attend JOBS-funded course supplements. One can only imagine the cost of designing such a system. To the extent that the current system could not be expanded, a separate system would have to be established at significantly higher costs to both the State and the Federal Government. Our use of existing Average Daily Attendance (ADA) funding would be hamstrung. In California's current fiscal situation, none of these options is viable.

Of course, we work with our education system to increase hours of participation where feasible. But in many areas the system is already operating at capacity and unable to change. Increasing its average hours per week to 20 or more would require a significant program financial investment to fund new buildings, equipment, and increased staff to provide this level of service. Funding for this, given a fixed amount of money in the program, could only be made by reducing the number of clients served.

3) FEDERAL REQUIREMENTS IGNORE PROGRAMS WITH EXISTING POLICIES AND SYSTEMS THAT WORK: As you know, California started the GAIN Program in June 1986 and by April 1989 the program was statewide. Therefore, prior to implementing JOBS, the State already had well-established policies to ensure satisfactory participation. We require performance-based contracts for service providers not funded through existing resources.

Many providers have attendance standards in place which we use. For those activities without a provider-established standard, GAIN requires a 90 percent attendance standard. If the participant attends less than 90 percent or the provider's standard (whichever applies), the participant is referred to a good cause determination and then conciliation processes if necessary. This approach avoids duplication. That is, if the provider has a standard, we do not set a second one. And, it ensures that counties determine if absences are legitimate, or if they indicate a problem that needs fixing. Federal requirements make it impossible to continue this practice unless we choose to duplicate it with a reporting standard which serves no programmatic purpose but which will consume valuable resources. Our attendance standard is focussed on results as it should be.

In the area of electronic data processing (EDP), we had already spent millions of dollars setting up systems to meet GAIN data collection needs prior to JOBS. Under our existing reporting system, counties are required to report to the State statistical information on a point-in-time basis each month. Furthermore, at the State level, we do not feel it is necessary to obtain detailed information on individual and hourly attendance for policy making or program evaluation purposes. As a result, our GAIN monthly activity reports include all individuals with verified attendance as active participants. Our participation counts exclude individuals in conciliation due to attendance problems or in deferral status due to time-limited personal problems. This attendance data, however, is not acceptable under the current Federal rules. It should be.

4) FEDERAL FORMULA FOR PARTICIPATION RATES IS COSTLY AND ADMINISTRATIVELY BURDENSOME: Among other things, the calculation of the Federal participation rates requires both contractors and county staff to track and report hourly attendance for all participants in all components on a daily basis. Sampling won't help States if the system hasn't been put in place to gather and store data for all cases. There will be increased contractual and administrative costs associated with these requirements.

Counties would have to report to the State participants who met the 75 percent rule, ranking them in order by the total scheduled hours for the month. The State would combine data from all counties ranking them in the same fashion then calculate the running average to obtain the total number of active participants whose "combined and average weekly hours of participation equals or exceeds 20 hours per week." Basically, this is accomplished by: a) obtaining the number of person-weeks, for example, 10 participants times 4 (number of weeks in the month); b) adding up the total scheduled hours for the month for the participants and dividing by the number of person-weeks to obtain the average weekly hours; and c) continuing this process until the running average falls below 20.

This complicated methodology may work fine for a State with only a few hundred participants. It is a nightmare for a State such as California where some counties are as large as or larger than most States in terms of program services provided and population served. A highly complex case-specific information system would be needed to meet the Federal requirements. These costs will be excesive and will cause program resources to be redirected from their main purpose, namely, serving participants.

5) FEDERAL REQUIREMENTS FAIL TO CONSIDER LESSONS OF PREVIOUS PROGRAM EXPERIENCES: Some of us recall how the Comprehensive Employment and Training Act (CETA) once held out great hopes for many low income persons. One factor which contributed to the demise of CETA was the reporting requirements on individual participants which caused CETA to become a program heavily focused on data reporting at the expense of a program focused on services for participants. When JTPA was implemented, a 15 percent cap on administrative costs was instituted, partially in response to a concern about the cost of administration and data reporting. Unfortunately, we are already witnessing history repeating itself in that the Federal JOBS regulations seem to be a step backwards toward the CETA approach.

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More recently, California had a very successful experience with the Saturation Work Initiative Model (SWIM) in San Diego County. This project is widely cited for its success and used a very simple methodology to define participation rates. Any project registrant participating in job search, training, education, or part-time employment was counted as a participant if he/she showed up once during the month. As simple as this was, it took considerable time and expense to develop a tracking system. Additionally, the County had to devote a great deal of resources and management attention to maintain the accuracy of this tracking and reporting system.

It is worth noting that an analysis of the SWIM participation rates (which appear at first glance to be higher than the Congressional mandates), indicates that even SWIM which served 100 percent of the mandatory registrants in the project area could not have met the new participation rate requirements as HHS designed them, even at the lower levels. This is shocking given that SWIM represents the highest rates achievable under optimum circumstances.

It is easy to see that States trying to meet the participation targets will be forced to direct resources as much as possible to those most likely to meet the attendance standards. This is creaming and is not the intent of JOBS. (Why not include all AFDC teens who are already in school as JOBS participants? If they are in school and not parents, they won't consume a lot of support services! And school meets the HHS 20-hour requirement. Is this the intent of the FSA--divert resources to a captive participant population?) States' abilities to design programs based on individual needs will be impacted. Since the State most likely will get limited credit for working with the hard-to-serve (as a group they would tend not to meet the 75 percent rule), this very group that JOBS intended to serve will not be served to the extent they would be without this standard. Additionally, since the 20-hour-per-week requirement penalizes programs emphasizing vocational education and training using existing Community College systems, States will be forced to rely on components which provide the highest hours of participation with relatively low cost--certainly the opposite of what was intended. Finally, States would be forced to expend their limited resources on EDP systems development and/or redesign whose sole purpose is to produce data unrelated to performance and meaningful participation. This, coupled with the fact that the burden of monitoring and tracking client participation on an hourly basis will greatly reduce the time that staff can spend with clients, will certainly result in less program with fewer people served.

Without HHS action to revise the requirements to meet the spirit of the FSA, California and probably many other States who are running serious programs will not be able to meet the participation targets strictly as a result of federal regulations, not federal statute, and will lose the enhanced Federal financial participation (FFP) available under JOBS. For California, the amount of enhanced Federal funding jeopardized by these requirements is nearly $9 million for SFY 91-92 and $12 million for SFY 92-93. This is a critical issue for us. During the last two budget cycles, the State has been unable to commit the necessary resources for a full GAIN/JOBS Program due to severe funding shortfalls. This has meant that any new program costs have had to be offset by reducing the number of participants the counties can serve. The imposition of an arbitrary participation standard and the cost increases resulting from the cumbersome tracking and reporting requirements will

deepen these participant cutbacks and further slow our JOBS implementation. The elimination of the enhanced FFP will result in the further removal of active participants from the program and the eventual closure of the program in several counties.

In summary, I would like to emphasize to you that requirements so unworkable as those pertaining to JOBS participation rates do not meet the intent of the FSA and can only hamper States' efforts to help clients achieve self-sufficiency. Ultimately, policy makers at the State level and at the Federal level must bear the responsibility for allowing a well-intended program to go astray by repeating past mistakes and by not learning from experience. So, I come here to seek your assistance. Please understand that program success cannot in any way be judged by participation rates as they are currently designed.

To ensure meaningful participation which is of concern to all of us, HHS need only rely on its authority to approve or disapprove a State's program design through the State Plan process in terms of whether or not it provides for meaningful levels of participation. They could specify that orientation and assessment do not count towards participation. They could even specify that States could not include as participants those whose weekly scheduled attendance would normally be less than 10 hours a week. They should not count those who don't attend. Also, HHS has the authority to approve or disapprove States' participant progress systems (i.e., systems required by different Federal regulations to quantitatively and qualitatively measure participants' progress in education and training) to ensure that States are running programs that get results. Eliminating the 20-hour-per-week and 75 percent participation requirements and adopting the point-in-time method as used in the SWIM project and adopted by the GAIN Program will clearly be steps in the right direction, and will not diminish the ability of the Federal Government to ensure that States offer meaningful programs.

I would like to point out that HHS's recent Action Transmittal (JOBS-FSA-AT91-10) which allows States for FFY 91 to do a one month sample is a major step in the right direction. We are ready and willing to sit down with HHS to work together to design a system that achieves what we all want. But given our dialogue to date, it is clear that without Congressional intervention, HHS is not inclined to make the big step toward simplifying reporting and tracking participation and using their considerable approval authority over State programs to achieve the goal that we all share---successful programs that move welfare recipients into the world of work.

Thank you for allowing me to testify before you.

PREPARED STATEMENT OF SENATOR DANIEL PATRICK MOYNIHAN

Today, the Subcommittee on Social Security and Family Policy begins a review of the Family Support Act. Today's hearing is on the JOBS program. Shortly, we will hold a second hearing on the child support enforcement program.

JOBS started in July, 1989. So we are at the second anniversary. And it is time to find out what has happened, what has been accomplished, and what problems have come up.

I have said before that to find out whether the Family Support Act works, we will have to wait a generation. Of course, people are inpatient and they want to know right away whether the program succeeded or failed, but it will take that long to find out whether we have changed behavior. So we will have to be patient. What we want now is an update, a progress report on the first year of operations. No more.

It is important, too, that we keep our attention on program implementation. We enacted the Family Support Act in 1988, the first comprehensive effort to redefine welfare—as a transitional State between dependency and self reliance. Since then precious little has been heard of the act. If you read the pronouncements of the regular gatherings in Washington of the usual suspects, you would not know that anything had happened. All you hear is that it is time to Act. Not time to make an Act already in place, work. This is a pathological form of politics, the notion that nothing changes (or must be allowed to change) until everything changes and mankind is delivered. Pitiful stuff.

In any event, JOBS has now begun to operate in every State. It should be noted that it could not have picked a more difficult time to do so. In the last two years, because of the recession, welfare (AFDC) caseloads have grown by over 18% nationally, while State budgets have been cut. Two of the States that will testify today, California and Maine, have had their JOBS funding sharply reduced. In effect, then, States have had to start their JOBS programs while welfare expenditures were increasing and revenues were declining.

Meanwhile, new Federal mandates became effective. Starting in April, 1990, all States were required to offer transitional Medicaid and transitional day care to welfare clients who found jobs and left the roles. The early indications are that these benefits are seriously under-utilized, and we need to find out why that is the case, and whether there is anything we can do about it at the Federal level.

As of October, 1990, all States were required to have Unemployed Parent (UP) programs in operation, and 24 States started offering if these benefits at that time. Again, the early data show that the new UP States have enrolled relatively few cases, and we need to determine whether this is just because the program is new, or whether there are implementation problems that need correction. In any event, one of these new UP States, the State of Alabama, has a representative here today who hopefully will address this issue.

Finally, there are the issues of client participation and the reporting requirements. At the hearings this subcommittee held in 1989 and again in 1990, State representatives told us that these Federal regulations would create serious problems for the program at the local level. Now it is a year later, and we have the data from the first year of operations, and we need to find out whether the earlier predictions have come true. Are the States meeting the participation requirements? What are the prospects for the coming years? How big a problem are the reporting requirements? What have we learned from the first two years of program operations?

PREPARED STATEMENT OF CESAR A. PERALES

Good morning Chairman Moynihan and members of the Subcommittee. I am Cesar Perales, commissioner of the New York State Department of Social Services and chair of the American Public Welfare Association's National Council of State Human Service Administrators. APWA is a nonprofit bipartisan organization representing all the State human service departments, local public welfare agencies, and individuals concerned with social welfare policy and practice.

I welcome the opportunity to speak to you today representing the views of State and local human service administrators on our progress in implementing the Family Support Act of 1988—a leading priority for New York as it is for all State and local departments.

Let me first say thank you on behalf of the State and local human service administrators, Mr. Chairman, for holding this hearing today. Too often interest in legislation wanes once it is enacted and implementation is underway. The administrators appreciate your leadership and continued interest and commitment to the goals and objectives of this landmark legislation. It is important that we not lose sight of these

goals and the broad based consensus and support that led to the enactment of the Family Support Act. This hearing will help to assure that in spite of other pressing issues, the Family Support Act continues to be a high priority.

The commitment of human service administrators to reform of our nation's welfare system is as strong today as it was over six years ago when the administrators, through APWA, began our own welfare reform policy development effort culminating in our report, *One Child in Four.* As you know, Mr. Chairman and members of the Subcommittee, the recommendations included in that report were later adopted by the nation's governors and formed the basis for many of the provisions in the Family Support Act.

The goal of the APWA effort was straightforward—to help reduce the number of children living in poverty by strengthening their families and promoting self-sufficiency. The Family Support Act, although not as comprehensive as APWA's recommendations or the wishes of many reform advocates, represented a positive first step in transforming a system of income maintenance into a more humane, more coherent system that promotes self-sufficiency. As you Stated during consideration of the Family Support Act and again earlier this year, Mr. Chairman, the act introduced to welfare a wholly new concept—a social compact. Society would provide single parents and their families with support while they were assisted on the road to self-sufficiency with education, training, and employment programs and these parents would undertake the effort to achieve this goal. The compact assumes parents are responsible for their children, including noncustodial parents whose support would be sought in a more comprehensive fashion.

The Family Support Act—including a strengthened and more efficient child support enforcement program; a new welfare education, training, and employment program—the Job Opportunities and Basic Skills Training Program (JOBS); child care and related support services for JOBS participants; child care and medical assistance benefits for those making the transition from welfare to employment; and mandatory State coverage of AFDC benefits for two-parent families—will help to improve the lives of poor children and their families.

The Family Support Act can and will assist poor families in moving toward self-sufficiency, but we must be realistic about our expectations for the JOBS program. We must understand, for example, that although Congress significantly increased funding for education, training, and employment above prior levels, the Congressional Budget Office estimated that over five years only 50,000 families will have left the AFDC rolls due to the JOBS program. We should not be discouraged by this. During debate on the act, Congress, State and local administrators, and others realized that transforming the welfare system and investing in the education and skills participants need to make the transition from dependency to employment would take considerable time. We need to realize this fact and know that our investments now will pay off later in improved lives for poor children and their families. As you Stated Mr. Chairman, "What took nearly a generation to create will take nearly a generation to remedy."

The State and local human service departments are taking positive first steps to bring to fruition the vision of the Family Support Act. JOBS programs have been implemented in each State; many of the various child support enforcement provisions have been implemented and are improving the effectiveness of this important contribution to family self-sufficiency; virtually every State is developing automated management systems to meet complex data collection, tracking, and reporting requirements; delivery systems are being transformed; there is improved program integration between income support, JOBS, child support enforcement, and other human service programs. Above all, strong commitment to the program endures. It continues in the face of the recession and the largest AFDC and food stamp caseloads in U.S. history.

IMPLEMENTING JOBS

Implementation of the JOBS program has proceeded at a remarkable pace. In July of 1989, the earliest point at which States could implement, fifteen States began operation of the program—all but three on a Statewide basis—in spite of the fact that final regulations were not yet promulgated. In October 1989, final regulations were issued and a total of 25 States had implemented their programs. By April 1990, 30 States, the District of Columbia, and the Virgin Islands had JOBS programs operating , and all States began transitional health and child care programs. In October 1990, the deadline for implementing JOBS, 17 States including New York, Guam and Puerto Rico implemented their programs. In March of this year 35 of the 54 jurisdictions operating JOBS programs are doing so on a Statewide basis al-

though this is not required until October 1992. States that have implemented on a Statewide basis include New York, Kansas, and Minnesota.

Several factors contributed to the States' ability to implement the JOBS program within this limited timeframe. First, as you know, the JOBS program was based on the experience of States that were operating comprehensive welfare-to-work programs. For many States this past experience in operating successful programs contributed to relatively speedy implementation although modification of program design and component activities, financing mechanisms, and contractual agreements needed to be put in place. Many States had significant legislative authority to meet the new JOBS program requirements and for most, State funding was available even if it was not sufficient to match all of the Federal funds available under the new program.

Another factor in meeting the implementation timeframes is the fact that the Department of Health and Human Services moved quickly to draft regulations, met and sought feedback from State and local human service officials and others, and provided interim policy guidance and assistance to States implementing the program. The seventeen jurisdictions, including New York, that opted to delay JOBS implementation until October 1, 1990, did so largely for three reasons: (1) the need for State authorizing and/or appropriations legislation; (2) the need for time to adequately plan and design or redesign programs; and (3) the desire for a more deliberate approach to planning and design regardless of funding constraints, legislative authority, or previous experience in operating welfare education, training, and employment programs.

At the same time, other provisions of the Family Support Act were also being implemented including a major restructuring of the child support enforcement system, new transitional child care and health benefit programs, creation of the AFDC-Unemployed Parent program in nearly one-half the States, and efforts to improve coordination and collaboration not only within the human service system but with other systems including the Job Training Partnership Act network at the State and local levels and educational systems including secondary, post secondary, adult and vocational education.

Since passage of the act, APWA and other organizations have been involved in assisting State and local agencies in implementing its provisions through training sessions, technical assistance, surveys, on-site visits, publications, and discussions with State and local program administrators. A general picture of State and local programs can be drawn from these sources.

As was expected when the JOBS program was created, State and local programs are placing greater emphasis on basic skills training, educational activities and support services than occurred in the past. As you are aware, a primary goal of the Family Support Act and the JOBS program is to ensure that families gain the education, skills, and support services necessary to be able to compete in the job market and obtain employment that pays more than the minimum wage. As programs got underway, States discovered that they had more participants than anticipated with multiple barriers to self-sufficiency, particularly lack of education. In many State and local programs this has resulted in more frequent and longer intensive—and expensive interventions, driving per-participant costs up and the total number of participants down.

Mr. Chairman, let me cite an example from one State that did not have a comprehensive welfare-to-work program in place prior to the enactment of the Family Support Act—Louisiana. In planning for JOBS implementation, Louisiana surveyed its AFDC caseload and found that nearly 60 percent of potential JOBS participants had not completed high school or the equivalent; 14 percent did not meet basic literacy criteria. Just under half considered insufficient preparation for the job market to be their major barrier to employment (others cited transportation and child care needs as the principal barriers.) I cite this as an illustration of the clear need for basic education and skills training as a key focus of JOBS programs.

The latest data from the Administration for Children and Families on JOBS participation shows that State and local programs are placing a higher percentage of participants in these more intensive component activities compared to past programs that emphasized lower-cost programs such as job search and community work experience. For the period October 1, 1990 through December 31, 1990 a monthly average of approximately 455,000 people participated in JOBS programs nationwide. Of that number nearly 91,000 participated in some type of educational activity—over 30 percent of all participants. In addition, more than 35,0000 individuals participated in post-secondary educational activities—an additional 11.4 percent of all participants. 59,000 individuals—nearly 20 percent of all participants—were enrolled in job skill training activities and an additional 19,000 individuals—6.4 per-

cent of participants—were involved in job readiness activities. This latest program participation data also show that only 10,500 individuals—or 3.5 percent of all participants—were engaged in community work experience program activities and 43,000—or 14.5 percent of participants—were involved in either individual or group job search activities.

The need to provide more intensive activities will mean that many individuals will participate for longer periods of time in JOB program activities before gaining the experience and skills necessary to succeed in today's job market. The cost and duration of these types of activities is causing some concern since many programs are now serving fewer individuals than originally planned and at greater expense. Since Federal funding for the program is, at least in part, tied to mandatory participation quotas, some States are concerned that they may face reduced Federal financing due to the inability to keep participation rolls at sufficient levels.

Also threatening the ability of States to meet the mandatory participation levels is the current and ongoing increase in demand for public assistance that has led to the highest AFDC caseload levels in history. Preliminary data from the States for April 1991, the latest available, show that the number of families needing assistance under the AFDC program rose an additional 41,000 families, continuing a 21-month trend of national caseload growth. That growth rate, Mr. Chairman, is roughly 3,000 children per day added to the national welfare rolls. There are now 4.42 million families and 12.8 million persons receiving AFDC nationally. AFDC-Unemployed Parents (UP) cases increased 7,000 to 287,000 families in April with roughly 35 percent of the growth in States that began a UP program in October 1990. The number of families receiving AFDC has increased by 406,000 families since April 1990, and over 680,000 families since July 1989—the first month States began implementation of JOBS. In fact, 22 States have experienced caseload growth of 20 percent or higher during this period. Attached to my testimony, Mr. Chairman, is an APWA analysis of AFDC caseload growth for the period July 1989 through April 1991.

In addition, the number of persons receiving food stamps nationally reached 23.1 million persons in April, the highest recorded level for the program. More than three million persons have been added to the food stamp program in just the past year. In New York AFDC caseloads have increased over 11 percent since July 1989 and an estimated 12.5 percent in the Food Stamp Program in the past year.

New York and other State and local administrators cite the following reasons for the increases: economic recession and rising unemployment, expansion of eligibility for Medicaid program benefits, administrative efficiencies, simplified application processes for entitlement programs, and improved access to service delivery through co-location of services.

APWA and State officials have been deeply concerned about our continuing ability to meet the needs of the increasing numbers of families needing public assistance. Working with the Maryland Department of Human Resources, we surveyed State agencies on their response to the caseload growth. We held a meeting for States in May to assess steps that can be taken administratively and legislatively to help us meet this growing need. In two weeks, Mr. Chairman, we will complete a report containing administrative and legislative recommendations to help States cope with the needs so we can assist families and individuals in a timely manner. We will share those recommendations with you and hope you will act on the proposals. I would just add that we are not talking about major expenditures; our proposals are principally administrative, but nonetheless of great importance in serving needy families.

The increases in AFDC, food stamp, and Medicaid caseloads are making it much more difficult for States to fully meet the expectations of the Family Support Act, especially the JOBS program. Unpredictable caseload size makes it much more difficult to project annual allocations of Federal funds for JOBS and therefore the amount of State funds needed to fully draw down the Federal resources. Unpredictable caseload growth also makes it much more difficult to design and operate effective programs tailored to the needs of individual participants. This is due in part to the desire to meet the mandatory JOBS participation quotas in order not to face a potential loss of Federal funding—precisely at the time when additional funds are needed to serve additional participants.

Senator, as you know, tensions between shrinking revenues at the State and local level and demands for additional State spending as overall human service needs expand as a result of the recession, is forcing virtually all States to reexamine their policy and budget priorities. Funding for the JOBS program has not been exempt from this process.

While no formal study has been conducted on the impact of State budget cuts on JOBS, data from HHS for the first six months of fiscal year 91 reveals that 9 States

have submitted estimates stating that they will be able to spend their full JOBS allocation. In FY 1991, HHS expects States to spend approximately $725 million of the $1 billion Congress authorized and appropriated for the program. New York, while experiencing a difficult fiscal situation as are other States, did not cut the budget for welfare reform. In fact, Mr. Chairman, we are projecting an increase of 32 percent or $34 million in the amount of funds dedicated to this initiative in State fiscal year 1991-1992.

No one knows the long-term effects of the recession on the program. In the short-term, States will be forced to do more with less. Phase-in time may be extended, or some geographic areas may go unserved. For many States the dilemma will be whether they (1) can continue to provide a comprehensive array of services, understanding that a demonstrable return on the investment in education and training will only come in the long term, or (2) will be forced to move to a less comprehensive strategy emphasizing high rates of participation and placement in lower wage jobs.

A major expectation of the JOBS program was the eventual shrinkage of the welfare rolls. The program is succeeding in this goal, Mr. Chairman, as State after State reports "graduation" of individuals from the JOBS program into gainful employment. But with the number of cases escalating at the "front end" of the system, we simply cannot keep pace. The best answer we can provide to our own State legislatures on the question of meeting the expectation of lower welfare tolls is this: absent the JOBS program in many of our States, AFDC rolls would, in fact be higher today. The New Jersey Department of Human Resources put it this way in their report, *Reach: Two Year Report to the New Jersey Legislature*, "The growth in unemployment in New Jersey in 1989, after a period of unprecedented lows, was an indicator for an increase in the AFDC caseload. Using the AFDC Caseload Model, a Statewide caseload of 21,000 to 27,000 more recipients would have been on the welfare case rolls in the absence of REACH."

In spite of these challenges, most States have thus far been successful in meeting the participation rates mandated by the Family Support Act. Data from the Administration for Children and Families for the first and second quarters of fiscal year 1991 show 29 States meeting or exceeding the required participation rate of 7 percent; 8 States reported meeting less than the required 7 percent; and 17 States reporting incomplete data. New York's participation rate is far in excess of the minimum rate—approximately 10 percent. While 17 States with incomplete data is a large number States are making great progress in setting up the necessary management information systems to collect and report information required under the act. We fully expect the quality of data to improve as States begin implementing the sample-based reporting system in October of this year. We also appreciate the efforts of the Administration for Children and Families to assist States in meeting the interim reporting requirements. ACF has worked very closely with APWA in ensuring States have input into the development of the data reporting forms and resolving problems in collecting and reporting data.

But it is too early to say whether States will meet the participation requirements in future years when the rates climb above 7 percent. A number of State administrators have expressed concern about the impact the so-called 20 hour rule will have on their ability to meet the rates. The States now emphasizing remedial education, post-secondary education, and vocational training feel they are particularly vulnerable since many of these programs do not operate on a 20 hour per week basis. In New York, for example, clients enrolled in PACE which provides post-secondary training along with case management at community colleges, full-time students are required to enroll in a minimum of 12 credit hours of coursework. In addition, they are provided with counseling and tutoring to assist them in dealing with the additional stresses of maintaining homes under disadvantaged conditions. Even with full-time course loads and case management services, PACE programs often fall short of 20 hours of weekly activities.

In December 1990 the APWA's National Council of State Human Service Administrators adopted a resolution requesting HHS to modify the 20 hour rule requirement for individuals participating full-time in an approved post-secondary education or vocational education program by deeming them to meet the 20 hour requirement. The resolution was transmitted to Jo Anne Barnhart, Assistant Secretary for the Administration for Children and Families for review and consideration.

APWA believes this proposal is a modest change. If implemented, the proposal could alleviate the concerns of many States who do not want to be forced into modifying their program in a manner that would result in less emphasis on education and training and more emphasis on work experience and job search to ensure there are enough participants to meet the higher participation rate requirements.

In the meantime, APWA fully supports your request, Senator, that the GAO examine (1) what programmatic changes States are making to accommodate the 20 hour requirement; and (2) what effect will the participation rate requirements, when they reach 20 percent in 1995, have on States' JOBS programs and State resources.

TRANSITION BENEFITS

I was asked to address utilization of the Transitional Child Care (TCC) and Transitional Medical Assistance (TMA) programs established under the Family Support Act. As you know, both programs were implemented by States on April 1, 1990. We are aware of the concerns that utilization of both programs has been very low.

We are not yet certain why utilization in the TCC program isn't higher. We have learned that many families leaving AFDC prefer to make their own child care arrangements even without the benefit of a subsidy or are already receiving subsidized child care under a different child care program or funding stream. We know that more can be done in the area of outreach for the program and many States including New York are improving efforts in this area. But we should also be realistic about our expectations for the program. As with any new program, it will take time for it to be "institutionalized" within the human service delivery system—to be known to AFDC recipients and applicants like AFDC, food stamps, or JOBS. On the other hand, TCC was never projected to be a large program. The CBO projected that fewer than 36 percent of eligible children would receive TCC benefits. The CBO projections were based on the assumption that 25 percent of the families that leave AFDC annually would do so because of increased earnings; that families working their way off AFDC have fewer young children than families remaining on AFDC; and that a high proportion of families leaving welfare as a result of work-related programs will have school-age children. Perhaps these assumptions are holding true.

We have little systematic national data about utilization of Transitional Medical Assistance since data on participation in the Medicaid program is collected and reported only in total, aggregate fashion.

Informally, however, APWA has learned that a major reason for low utilization lies with client reporting requirements that are substantially greater than the requirements for previous transitional coverage and are without parallel in the TCC program. The client reporting requirements require client information on the 21st day of the fourth month, the seventh month, and the ninth month. Families must report their gross income and child care costs associated with employment of the head of household. Failure to report by the 21st day of the fourth month means termination of coverage at the end of the sixth month. Failure to report by the 21st day of the seventh or ninth months means termination at the end of the respective month.

States believe that failure to report is a major reason for the substantial attrition in the program. No other group of Medicaid clients have similar eligibility conditions placed on them. TMA under prior law was not as onerous for clients.

In addition to unnecessary client attrition, these provisions place considerable and unnecessary administrative burdens on State agencies. Multiple client notices are required prior to each client reporting deadline. Finally, because of high client attrition, the agency is required to do more eligibility determinations for individual family members to determine if any are otherwise eligible under other program categories prior to termination from the TMA program. State reporting and other administrative requirements are substantial, especially since TMA attrition is high.

State administrative burdens would be greatly relieved and program goals better met if States were allowed to forego all the reporting and phasing of TMA coverage. In lieu of current law, APWA suggests that States be given the option to offer a simple 12 month transitional coverage.

The Family Support Act certainly has established the foundation for transforming our Nation's welfare system from one that emphasized income support to one that can assist families to make a transition into self-sufficiency. Although it is still early in the implementation and program operation process, we have every reason to believe that the Family Support Act will be successful. We do recognize, however, that there are other important components that will also contribute to assisting low-income children and their families particularly those in transition from welfare to work.

Of major importance is the Earned Income Credit for working low-income families with children. Last year Congress enacted major expansions of the Earned Income Credit as part of OBRA 90. These expansions will total more than $18 billion in new benefits over the next five years and will help to assure that AFDC recipients who work and those who have left AFDC for employment are better rewarded for their

effort. The OBRA 90 legislation increases the EIC benefit for all eligible households, adds a further benefit for families with two or more children, and adds a supplemental benefit for families with a child under one year of age. Insiders may remember, Mr. Chairman, that you put forward the adjustment of the Earned Income Credit for family size in early versions of the Family Support Act. Perhaps most importantly for AFDC households working to make the transition to employment, the new law guarantees that EIC benefits will not count as income when determining eligibility for AFDC, Medicaid, and other public assistance programs.

OBRA 90 also included a new child care program that will assist low-income families make the transition from public assistance to employment and can help assure that the chances of permanent success are more likely. As of July 1, 28 States were approved to operate the Title IV-A "At-Risk" child care program designed to provide child care to low-income families that need such care in order to work and would otherwise be at risk of becoming dependent on AFDC. Many States will use this new child care program to provide continued child care to families that have exhausted their transitional child care benefits provided under the Family Support Act yet still need this assistance in order to continue employment.

CHILD ASSISTANCE PROGRAM

I want to take this opportunity to discuss a demonstration New York State is currently conducting in seven counties. The Child Assistance Program, or CAP, was authorized by State legislation in 1987 and I want to thank you, Mr. Chairman, for your assistance in obtaining Congressional approval for our program in 1987. The program became operational in October 1988 and we now have preliminary data on its impact.

CAP represents a major effort by the State to construct a dignified and viable alternative to AFDC. CAP incorporates a unique financial aid and service delivery system that is designed to promote the material well-being and life chances of children in single-parent AFDC families, while at the same time ensuring that their parents—both custodial and non-custodial—take responsibility for supporting their children to the best of their ability.

More than 2,100 families have enrolled since the inception of the demonstration, and early results are promising. The program has proven to be very effective in lifting participating families out of poverty—the total household income of CAP families averages 122 percent of the poverty level—and promoting economic self-sufficiency—participants rely mainly on their own earnings, together with the child support we collect and whatever additional supplement is required. CAP has also had a dramatic effect on the outlook of participating families. Ninety percent of the program's custodial parents report feeling more independent and more optimistic about the future, and they enjoy increased self-esteem and sense of control over their lives.

The effects of CAP on AFDC custodial parents is also encouraging. A significant number of parents now participating in the demonstration obtained jobs or increase their work effort in order to qualify. In addition, a sizable percentage of participants worked with the Office of Child Support Enforcement to secure support orders for their children, thereby increasing the likelihood of collecting support from the absent parent. These gains have continued after enrollment, as participants move toward independence of the program.

An independent evaluator has been retained to assess CAP's impact, cost effectiveness, and replicability. The evaluator's final report is due in 1993.

UNFINISHED BUSINESS

There is much more than can be done to reach comprehensive reform of our welfare system and to build the necessary support systems and program services to enable low-income families and their children achieve self-sufficiency. One of the most important components in this comprehensive package is a more adequate assistance benefit. As you may recall, Mr. Chairman, State and local human service administrators expressed their strong support for an alternative national system of welfare benefits based on a Family Living Standard (FLS) as proposed by APWA in One Child in Four. A study of the FLS and other minimum benefit approaches was included in the Family Support Act and it is our understanding that the National Academy of Sciences has begun initial work on the study. We know that the inadequacy of benefit levels is of concern to you, Mr. Chairman. In April you introduced the Minimum Benefit for Families Act (S.835) that would require that in each State AFDC benefits when combined with food stamp benefits, equal at least 50 percent of the Federal poverty level. As you and others have pointed out, Mr. Chairman, the

value of AFDC benefits has steadily dropped over the past two decades. After adjusting for inflation, the median decline in benefit levels from 1970 to 1991 was 42 percent. We believe that addressing the adequacy of benefits should be a priority.

There are of course a number of other components that should be considered as we continue the effort to reform our welfare and related human service systems. These items include a revamping of our Nation's child welfare system to make it more responsive to current trends and to focus on up-front prevention services, reform and expansion of the unemployment insurance system, health care reform, and continued exploration of improvements in the child support enforcement system.

CONCLUSION

The one thought I would like to leave with you today, Mr. Chairman, is the continuing strong commitment of human service administrators to the goals of the Family Support Act. Going into the legislative arena five years ago we knew, as you knew, all about the long odds against public policies that would effectively reduce poverty and strengthen families. The odds are even worse today, with record numbers of families needing assistance because of the recession, the effects of which will be with low-income families for years to come. I want to assure you that we, as administrators, are determined and we are committed, to the success of the Family Support Act. Its gains will be gradual but they are perceptible. It is making a difference. With your continued commitment it will continue to make a difference.

AFDC CASES AND PAYMENTS JULY 1989/APRIL 1991, SORTED BY PERCENT CHANGE IN CASES

[In thousands]

RANK	STATE	July 1989 cases	April 1991 cases	Percent change
1	NEW HAMPSHIRE	5.3	9.1	71.70
2	ARIZONA	37.0	52.2	41.08
3	NORTH CAROLINA	78.3	108.5	38.57
4	KENTUCKY	58.3	80.1	37.39
5	FLORIDA	121.6	166.7	37.09
6	CONNECTICUT	37.7	51.6	36.87
7	VERMONT	7.0	9.5	35.71
8	ALASKA	7.3	9.9	35.62
9	NEVADA	7.4	10.0	35.14
10	NEW MEXICO	20.1	27.0	34.33
11	TEXAS	183.6	241.6	31.59
12	GEORGIA	93.1	120.7	29.65
13	RHODE ISLAND	15.2	19.6	28.95
14	MAINE	18.0	23.0	27.78
15	DELAWARE	7.3	9.3	27.40
16	SOUTH CAROLINA	35.5	45.1	27.04
17	OREGON	30.6	38.8	26.80
18	TENNESSEE	70.6	88.7	25.64
19	WYOMING	5.0	6.2	24.00
20	IDAHO	5.8	7.1	22.41
21	CALIFORNIA	604.7	738.2	22.08
22	INDIANA	51.0	61.9	21.37
23	OKLAHOMA	35.7	42.8	19.89
24	COLORADO	33.2	39.6	19.28
25	MASSACHUSETTS	87.6	104.2	18.95
26	MARYLAND	63.0	74.8	18.73
27	NEW JERSEY	100.1	118.8	18.68
28	MONTANA	9.0	10.6	17.78
29	VIRGINIA	54.2	63.4	16.97
30	DIST OF COL	18.1	21.1	16.57
31	WASHINGTON	78.1	90.1	15.36
32	MISSOURI	67.4	77.2	14.54
33	MINNESOTA	53.7	61.1	13.78
34	ILLINOIS	198.5	223.6	12.64
35	UTAH	14.8	16.6	12.16
36	NEBRASKA	14.1	15.7	11.35
37	VIRGIN ISLANDS	0.9	1.0	11.11

AFDC CASES AND PAYMENTS JULY 1989/APRIL 1991, SORTED BY PERCENT CHANGE IN CASES—Continued

[In thousands]

RANK	STATE	July 1989 cases	April 1991 cases	Percent change
38	NEW YORK	336.6	373.9	11.08
39	MICHIGAN	210.2	233.3	10.99
40	PENNSYLVANIA	173.5	191.2	10.20
41	ARKANSAS	24.0	26.4	10.00
42	KANSAS	24.7	27.0	9.31
43	NORTH DAKOTA	5.4	5.9	9.26
44	WEST VIRGINIA	35.1	38.0	8.26
45	OHIO	218.6	236.3	8.10
46	HAWAII	13.9	15.0	7.91
47	ALABAMA	44.5	47.9	7.64
48	SOUTH DAKOTA	6.6	7.1	7.58
49	IOWA	33.7	36.0	6.82
50	PUERTO RICO	59.4	61.1	2.86
51	WISCONSIN	79.0	81.2	2.78
52	LOUISIANA	91.8	94.1	2.51
53	MISSISSIPPI	59.2	60.4	2.03
54	GUAM	1.1	1.1	0.00
	UNITED STATES	3746.1	4421.3	18.02

Source: Preliminary figures supplied by States to the Administration for Children and Families.

COMMUNICATION

STATEMENT OF THE CHILD ACTION CARE CAMPAIGN (CCAC)

The Child Care Action Campaign (CCAC) appreciates this opportunity to submit written testimony for the record for the July 8, 1991, hearing of the Senate Finance Committee, Subcommittee on Social Security and Family Policy, regarding the implementation of the Family Support Act's JOBS program. We believe that this landmark legislation holds the potential to enable families to become self-sufficient, and that the availability of high quality child care for both families on AFDC and those leaving AFDC for employment is essential for the Act's success.

The Child Care Action Campaign, a national coalition of leaders from a wide range of American institutions, is dedicated to stimulating the development of policies and programs that will increase the availability of quality, affordable child care for the benefit of children, their families and the general public. To accomplish this, CCAC provides information and original research to the public and to government and corporate policy makers about the needs of families with children, and the connection between these needs and national prosperity; and it advocates for additional investment in child care by employers, by labor and by federal, state and local governments.

CCAC's Family Support Watch is a parent education and public awareness project to ensure that families eligible for the Family Support Act (FSA) have access to quality child care, and that the Act is implemented equitably for the benefit of both generations who can benefit from it -- children and their parents. CCAC is monitoring the implementation of the JOBS child care and Transitional Child Care (TCC) in ten states: California, Kentucky, Illinois, Michigan, Minnesota, New Mexico, New York, North Carolina, Texas and West Virginia. We have interviewed state administrators in these states and have reviewed their state plans. We have talked to members of our National Advisory Panel, which include state child care advocates, child care specialists, and leaders in state and local government, business, labor and nonprofit community service organizations. We have also interviewed state advocates who are not on CCAC's panel. Finally, to gain a more complete understanding of child care problems associated with the Act's implementation, CCAC is collecting anecdotal information from individual families who have used or have been eligible for child care offered under this Act.

CCAC has found several problems common to the implementation of the child care provisions of the Act in many states, both with child care offered in conjunction with education and training programs, and the one-year transitional child care program. In our testimony, we will address the problems that relate specifically to state fiscal issues and transitional child care usage. These include:

- o Several states have limited participation in JOBS because they have run out of the state child care funding necessary to draw down the federal match.

- o The 75th percentile cost limitation has made it difficult, if not impossible, to find quality child care in some areas. Some states have reacted by supplementing child care payments with nonreimbursable state funds; however, due to fiscal constraints, several state administrators indicated that they were uncertain about how long they could continue with this practice.

- o Many states do not count families in self-initiated education and training programs as JOBS participants and therefore do not cover the cost of their child care if these families cannot be used to bring up the state's JOBS participation rates.

Common problems concerning implementation of transitional child care are:

- TCC is severely under-utilized in every state we surveyed.

- CCAC has received consistent, compelling anecdotal information that indicates that eligible recipients are largely unaware of their right to receive Transitional Child Care. There is further evidence that in many of these states, caseworkers also are still largely unaware of the Transitional Child Care benefit.

- Many state advocates and administrators in the ten states we surveyed have also expressed frustration at the complicated TCC eligibility limitations imposed by the federal regulations. These regulations have the effect of screening out large segments of the population that we believe Congress intended to serve under the Transitional Child Care Program.

- For many of those families that have been fortunate enough to obtain TCC, one year of this transitional support is not enough to enable families to reach the wage level at which they can cover their child care expenses. States may be able to use new Title IV-A monies to provide additional transitional support but the impact of these monies is not yet clear.

STATE FISCAL CONSTRAINTS

Inadequate Funding for JOBS Child Care

Sheila Smith [not her real name] lives in Illinois and was enrolled in Project Chance. While she trained to be a word processor, the state paid for her two children to receive child care. After she had successfully completed her training component, Sheila was to enroll in a job placement component which would send her out for interviews and help her obtain basic job-readiness skills. The end of Sheila's dependence on AFDC was in sight. However, before she could start looking for a job, Sheila received notification that because the state had run out of supportive service funding, it could not pay for her child care when she enrolled in job placement and she would be placed back on the waiting list for Project Chance.

Due to fiscal limitations, Illinois would pay for child care for Ms. Smith to be trained, but not so that she could get a job. Because of severe budget problems, the state froze admission into its JOBS programs and has put many recipients on waiting lists before they complete all of their education and training activities. Understandably, these participants see JOBS as yet another promise to them that was not fulfilled.

Sheila Smith is a good illustration of the frustrations of AFDC recipients who end up being cut from education and training programs midstream because of state budget limitations. Limited state child care funding is not a problem only in Illinois. Advocates and/or state administrators in Michigan, Minnesota, New Mexico and North Carolina all emphasized that state funding levels were a major barrier to providing stable, continuous child care to participants. Some states have chosen to spread their precious state dollars for Title IV-A child care as thinly as possible. For instance, Michigan caps child care payments at the AFDC child care disregard rate. In many areas in Michigan, this cap means that the state provides payments that cover approximately half the going rate of child care. CCAC is working with state advocates to encourage state governments to maintain or increase the state's child care dollars and to provide child care payments at least up to the maximum amount allowed under the federal regulations.

Since Illinois began its new fiscal year, it has begun to slowly to take participants back into JOBS from the waiting list. When one participant leaves JOBS, a wait-listed participant is re-admitted. The only exception to this practice is for individuals with "low supportive service needs" (i.e., families who do not need child care.)

Child Care for Self-Initiated Education and Training

The federal regulation severely restricts the child care guarantee for families who engage in self-initiated education and training programs. The regulation provides that states have the option to provide child care to families in these activities if they live in

counties where there are no JOBS programs and that they can not provide child care to these families if they are not enrolled in JOBS, but live in counties where there are JOBS programs. Because states are trying to meet participation rates with their limited fiscal resources, they often will define families in self-initiated activities as JOBS participants only if that activity can help the state meet its participation requirement. For example, if a mother is a part-time student and lives in a JOBS county, many states would choose not to define her as a JOBS participant and deny her supportive services.

The regulation's severely-narrowed definition of the child care guarantee, coupled with state fiscal problems and participation requirements, has had an adverse effect on these families. Instead of awarding them for self-initiative and making efforts to help them become self-sufficient, states are denying the necessary child care to these families.

CCAC recommends that the regulations be changed to comply with Congressional intent - - all AFDC families who are in education and training programs should be guaranteed child care.

Inadequate Payment Rates

In many areas, the 75th percentile child care cost limitation has proven too low to allow families to obtain quality child care – or, in areas with especially tight supply, any child care at all. Some states have recognized this fact and have made up the difference between the actual cost of child care and the 75th percentile. For example, California reimburses child care for GAIN at the 93rd percentile. Several state advocates and administrators have expressed concern that their states may have difficulty continuing with this practice because of limited state funding.

We recommend that the regulations be amended so that AFDC child care payments can match those of unsubsidized care. Given state fiscal crises, we believe that states will be increasingly unwilling to supplement JOBS and Transitional Child Care with nonreimbursable state dollars. Congress intended that child care under the Family Support Act be paid for at the market rate so that families would have access to quality care of their choice. The 75th percentile rule prevents families from getting the kind of care their children need.

TRANSITIONAL CHILD CARE (TCC)

Lack of Awareness of TCC

Throughout all of the states we studied, Transitional Child Care usage is exceedingly low. Several state groups are studying the problem to determine specific causes of this low usage; however we have received an enormous amount of anecdotal evidence that one factor is a lack of awareness among families who are potentially eligible, and, most disturbingly, among public assistance caseworkers themselves in spite of federal notification requirements.

A child care resource and referral worker in Lansing, Michigan, related frustrations to CCAC that were similar to those we have heard in virtually every state that we monitor. This resource and referral specialist helps low-income families find child care. She sends her clients who appear eligible for TCC to the county public assistance office to apply for the benefit. These clients repeatedly tell her that their caseworkers do not know that TCC is available. In one case, a woman called the child care specialist to ask her about the availability of privately-subsidized child care. After hearing more about the family, the resource and referral worker suggested that the woman speak with the family's caseworker to find out about TCC, and received the response, "I am the caseworker."

Tracey Davis, a mother of two in Chicago, also attempted to get TCC. Ms. Davis left AFDC to become a social service worker in a nursing home, with a salary of $12,000. When asked about transitional child care, Ms. Davis says,

> "I first heard about it on TV. But when I asked about it, no one at public aid knew anything about the program. I kept getting the runaround. One woman kept hanging up on me. I spoke to several different people and couldn't get any information. Eventually, someone at family services told me there were no more

funds and the waiting list was forever. Right now it's ok. My grandma was laid off and she's watching the kids. But when she goes back to work, I don't know what I am going to do."

CCAC is working with state advocates to encourage states to make caseworkers familiar with the TCC benefit, as well as to notify potentially eligible families in a clear, simple way about TCC.

Complicated Eligibility and Application Requirements

Complicated eligibility and application requirements set out by the federal regulation also stop families who presumably should be eligible for TCC from receiving it. Federal regulations provide that a family is eligible for TCC when it ceases to receive AFDC due to increased earnings. Therefore, families are not eligible for TCC if they become ineligible for AFDC for the following reasons:

- o a failure to report monthly earnings,
- o child care arrangements change and the child care disregard goes down, or
- o a voluntary decision to leave AFDC because the grant for which they are eligible is minimal.

Anecdotal evidence from the states indicates that many families simply stop reporting monthly earnings because they already know that their income has made them ineligible for AFDC. Technically they are ineligible for AFDC for a failure to report monthly earnings rather than for increased earnings. Given that it appears that both they and their caseworkers are largely unaware of the TCC benefit, these families see no reason formally to terminate their AFDC cases.

Families will lose eligibility for TCC if their child care costs, and the amount subsequently disregarded, goes down. This could happen, for example, when a family moves one of its two children from private care into a Head Start Program. Such a family would then no longer be eligible for TCC despite the fact that their income would remain the same and they would still need child care for both children because Head Start is a part-day program.

Some working families find that they would be better off receiving the TCC benefit than their AFDC grant, but are unable to qualify for TCC because they are still eligible for a minimal amount of AFDC. For instance, one woman in Kentucky applied for TCC and found that she was ineligible because she qualified for a $10 monthly AFDC check. State advocates in Kentucky tell CCAC that this is a common problem in their state. The incomes of many working families are so low that they still qualify for AFDC, even though it would be much more beneficial for them to receive TCC.

Under proposed regulations for the Title IV-A "At-Risk Child Care Program," families may choose to opt out of their AFDC benefit in order to receive a child care subsidy from this program. CCAC recommends that the regulations for TCC be similarly amended to help the maximum number of working families find stable child care and achieve self-sufficiency.

Preliminary anecdotal evidence from the states indicates that further changes to the regulations will increase TCC use among those families that should be eligible. These changes include:

- o clarify that families who lose AFDC due to a loss or reduction in the child care disregard are eligible for TCC;
- o clarify that TCC should be available to working families who leave AFDC because their incomes became too high, whether or not they formally terminated their AFDC cases;
- o Allow states to make families eligible for TCC without a specific reapplication as is the practice for transitional Medicaid benefits.

Complicated state child care systems, especially for families who are formerly enrolled in JOBS training and education programs and then make the transition to employment, also put families in jeopardy of going back on welfare. Cecilia Moya of New York City is a good example of the results of such bureaucratic tangles. She got off welfare, is finishing a degree in business administration at Bronx Community College and has a full-time job at a beverage distribution company. Ms. Moya was told that she is eligible for TCC, but because her welfare case was closed off with the wrong code, she received only one check for $259 in the first six months that she worked. In March, because she had to pay her children's medical bills with cash (the same "wrong code" held up their Medicaid cards) she couldn't pay her phone bill. In April, the telephone was disconnected. Ms. Moya is considering whether it is worthwhile to keep her job. She has stated, "I love working. My self-esteem is really up. But my financial problems are just as bad as they were when I was on welfare."

Such bureaucratic mix-ups can easily happen but have disastrous consequences for the families that they affect. CCAC is working with state groups to help streamline state administrative practices in order to serve eligible families more readily.

Inadequate Length of Time for TCC

Those families who do receive transitional child care find themselves likely to become dependent on AFDC again when their benefits run out. Mary Lane, a mother of two in Minnesota, should be considered a Family Support Act success story. Ms. Lane enrolled in a 9-month program to become a medical secretary. Soon after graduating, she found a full-time job at the Mayo Clinic in Rochester. However, when Ms. Lane's transitional benefits ended, she paid $450 a month for child care – half of her monthly take-home pay. Ms. Lane finally received an additional child care subsidy after she wrote over 30 letters to Congressmen, Senators and local politicians.

Ms. Karolin Stanger, mother of four pre-school children in Montana, is in a similar position. This summer, Ms. Stanger's TCC benefits ran out and her income as an administrative assistant will not allow her to even come close to making child care payments. Ms. Stanger has contacted every county and state official she can find. No one can help her because Ms. Stanger is no longer entitled to a subsidy and has no other recourse at this time than to quit her job and go back on welfare.

Limits on State Standards for Title IV-A Child Care

In addition, CCAC is very concerned about proposed regulations for the At-Risk Child Care Program, which will also affect JOBS child care and TCC (Federal Register, June 25, 1991, pp. 29054 - 29069). Specifically, Section 257.41(a)(2) of the proposed regulations prohibits states from setting regulatory standards for child care that is subsidized by Title IV-A funding unless those standards apply to all care of that category, whether publicly funded or not. As written, this proposed rule means, for instance, that a state can no longer run criminal records checks on otherwise unregulated family day care providers before sending them JOBS child care payments.

The proposed regulation is a clear intrusion on states' rights to set meaningful standards to protect children receiving Title IV-A child care. They will make several states roll back the minimal protections they have in place for this care. This policy is extremely problematic and contrary to Congressional intent. Nothing in the Family Support Act or the At-Risk Child Care Program statute prohibits states from setting additional regulation for Title IV-A child care.

CCAC believes that minimum standards should be set for all child care and that such standards must protect the health and well being of children in care. Allowing states to use Title IV-A funding as an incentive to providers to improve their programs is a step toward ensuring that children get the care they need. There is overwhelming evidence that parents want their government to help them protect their children by ruling out harmful care.

Conclusion

CCAC believes that child care is a critical linchpin for successful implementation of the Family Support Act. We believe that more families could become self-sufficient, and their children could receive quality child care, if the following changes were made to the HHS regulations:

- o Guarantee child care to families who engage in self-initiated education and training programs;
- o Eliminate the 75th percentile limitation on federal reimbursement for child care;
- o Allow Title IV-A funds to be used to increase child care supply in areas where it is inadequate to provide meaning to the child care guarantee;
- o Clarify that families that loose AFDC due to a loss or reduction in the child care disregard are eligible for TCC;
- o Clarify that TCC should be available to working families who leave AFDC because their incomes are too high, regardless of the specific reason why their cases were closed; and
- o Allow states to make families eligible for TCC without having to reapply for the benefit.

CCAC also advocates for extending the TCC benefit beyond the 12-month limit. Families' incomes often will not increase so substantially that they can afford child care one year after they leave AFDC.

In addition, CCAC recommends that the Subcommittee respond regulations proposed by HHS that would limit states ability to set standards for publicly-funded child care.

We appreciate the opportunity to submit testimony on the implementation of the Family Support Act's child care guarantee, specifically on transitional child care benefits and the effects of state fiscal constraints. Quality child care is a vital component of the Family Support Act; we thank the Senate Subcommittee on Social Security and Family Policy for its acknowledgement of this important issue.

— Barbara Reisman
Executive Director
Child Care Action Campaign

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